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ie is 1- 2- "At the beginning of this wave of violence, sentences were milder, and there were protests," said Cornelia Schmalz-Jacobson, a member of parliament who is the chief advisor to Chancellor Helmut Kohl on matters relating to foreigners. "But in recent cases, German courts have been living up to their responsibilities." Relatives of the Turkish victims said they were pleased with the verdicts. "The hatred I carried within me is now gone," said one of them, Farouk Arslan. "We want to live in peace with you Germans, not in hatred."

Book Review Page 8

stamps dedicated to popular singers. When Presley was selected for the first stamp in a series dedicated to the "Legends of American Music" two years ago, fans of Crosby and Cole inundated postal officials with demands for more stamps.

Guns Ready, U.S. Troops Prepare to Quit Somalia

Looking Back Over a Yearlong Mission, Soldiers Say It Was, and Remains, a War

By Rick Atkinson
Washington Post Service
MOGADISHU, Somalia — A year after wading ashore for what was supposed to be a quick mission of mercy in Somalia, the United States military is putting the final touches on plans for a guns-soaked withdrawal from an urban guerrilla war, according to senior American officers.



Michael Peters, left, and Lars Christiansen in the German court on Wednesday. Mr. Peters got a life term; Mr. Christiansen, 10 years.

2 Neo-Nazis Given Tough Sentences for Killing Turks

German Verdicts Signal Courts' Harder Stance Against the Far Right

By Stephen Kinzer
New York Times Service
BERLIN — A German court handed down heavy sentences Wednesday against two neo-Nazis who last year hurled firebombs at houses where Turks lived, killing a grandmother and two girls.

Angry Voices Weigh In at GATT Talks

By Keith Bradsher
New York Times Service
GENEVA — Asian and Latin American nations reacted furiously Wednesday to trade compromises reached Tuesday between the United States and the European Community but appeared unlikely to hold up the global trade talks going on here.

Racial Motive Seen in N.Y. Rail Killings

Black Man Who Shot Commuters Hates Whites, Police Say

Compiled by Our Staff From Dispatches
GARDEN CITY, New York — A gunman accused of methodically killing four passengers and wounding 19 others on a rush-hour commuter train in suburban New York acted out of racial animus, the authorities said Wednesday.

Delors Defends His Prescription For Europe's Employment Ills

By Tom Buerkle
International Herald Tribune
BRUSSELS — Jacques Delors staged a combative defense of his plan for curbing Europe's unemployment crisis on Wednesday, making it clear that he will take a fighting stance into what looks like his last European summit meeting as a real power broker.

With New Eyes, Hubble Now Waits for New Wings

By Kathy Sawyer
Washington Post Service
HOUSTON — After sailing through four days of delicate eye and brain surgery on the Hubble Space Telescope, the crew of the space shuttle Endeavour was ready late Wednesday to complete the mission's fifth and final repair outing and spread the Hubble's shiny new 40-foot solar wings.



A FINAL EMBRACE — President Bill Clinton with Howard Paster, head of his congressional liaison office, after signing the NAFTA accord Wednesday. Mr. Paster and another White House aide, Roy Neel, are resigning to become lobbyists. Page 3.

NATO Will Open Eventually to East

BRUSSELS (Reuters) — North Atlantic Treaty defense ministers agreed Wednesday that East European nations will be able to join the alliance at some point and that Russia, which opposes such a move, would not be able to veto eastward expansion of the alliance.

U.S. Mail Goes the Celebrity Route to Counter Red Ink

By Bill McAllister
Washington Post Service
WASHINGTON — Is there life after Elvis? Or as Postmaster General Marvin T. Runyon Jr. would probably phrase it: Is there money after Elvis?

Newsstand Prices

Bahrain	0.800 Dln	Moldo	35c
Cyprus	£ 1.00	Nigeria	45.00 Naira
Denmark	14.00 D.Kr.	Norway	15 N. Kr.
Finland	11.5 F.M.	Orion	1,000 Riols
Gibraltar	£ 0.85	Qatar	8.00 Riols
Great Britain	£ 0.85	RSA	Irlandia R 1.00
Egypt	E.P. 5000	Saudi Arabia	9.00 R
France	10 F.	South Africa	R 6
Jordan	1.00 J.D.	U.A.E.	8.50 Dirh
Kenya	1.00 K.S.	U.S. Mail	(Eur.) \$1.10
Kuwait	500 Fils		

PEOPLE
Elke ca. Zoo
Finan (Labor)
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Needed for Northern Ireland: A 'Phraseology' for Everybody

By James F. Clarity
New York Times Service

DUBLIN — While hopes for the new Northern Ireland peace initiative persist, the governments of Ireland and Britain remain deeply divided over whether there can ever be a united Ireland free of British rule, the ultimate goal of the Irish Republican Army, but the ultimate abandonment to the leaders of Northern Ireland's Protestant majority.

He has insisted that if the Protestant majority in the north voted to join the Republic would accept the decision.

NEWS ANALYSIS

And what they produce must give Gerry Adams, the president of Sinn Féin, an indication of new British flexibility that he can take to the IRA as a political victory, a rationale for laying down its arms with honor and talking.

Mr. Major has insisted that he would never support British abandonment of the north without the consent of the majority, which is indeed the policy of Ireland and Britain, written formally in the 1985 British-Irish agreement.

He has insisted that if the Protestant majority in the north voted to join the Republic would accept the decision.

For London, relinquishing power in the province of Ulster, even gradually, is a matter of cutting losses, of extricating Britain in a way that might enhance John Major's stature in British history, or at least not cost him control of the government.

WORLD BRIEFS

Military Said to Back Prime Minister In Dispute on Ivory Coast Presidency

ABIDJAN, Ivory Coast (Reuters) — Prime Minister Alassane Ouattara does not recognize Ivory Coast's new president and won pledges of loyalty from armed forces chiefs on Wednesday, according to sources close to Mr. Ouattara.

Italian Editor Held on Bribe Charge

MILAN (Reuters) — A magazine editor and prominent member of Italy's scandal-tainted Christian Democrat Party has been arrested on suspicion of corruption, court sources said Wednesday.

Diana Visits Family Counseling Unit

BELFAST (Reuters) — Diana, Princess of Wales, visited family counseling groups in Northern Ireland on Wednesday, only days after announcing an imminent retreat from public life.

Gabon Opposition Calls for Calm

LIBREVILLE, Gabon (AFP) — Opposition leaders called on their demonstrating supporters for calm Wednesday as the police patrolled Libreville streets in strength as Gabon waited to here who had won a presidential election.

Bosnia Lacks Trucks for Relief Effort

ZAGREB, Croatia (Reuters) — Bosnia's Muslim-led government appealed to the world on Wednesday for trucks to take emergency food aid to the besieged Muslim enclave of Maglaj.

Strike Disrupts French Rail Service

PARIS (AFP) — A strike by French rail workers was expected to cut service by up to two-thirds on Thursday. Disruption began Wednesday evening on overnight express trains, the state railroad company said.

Construction began in London on a £2 billion (\$2.98 billion) extension to the subway system to connect the Canary Wharf business development in east London with the center of the capital.

Israel's labor federation, Histadrut, called a one-day public sector strike for Thursday to protest the government's privatization plans. The strike could paralyze airports and harbors.

Americans Cite 6,000 Somali Casualties

WASHINGTON — President Bill Clinton's special envoy to Somalia and a Marine Corps general who directed U.S. military operations there say there were 6,000 to 10,000 Somali casualties in four months last summer, either in clashes with UN peacekeepers or in fights between rival factions.

SOMALIA: Leaving, Guns Ready

Continued from Page 1 was on a string back to Washington, or to Central Command headquarters in Tampa, Florida.

For One Reformer, All Blame, No Gain Russian Faces Doubting Voters

By Fred Hiatt
Washington Post Service

CHEKHOV, Russia — Anatoli Shabad, a leading pro-reform politician, was having a bad day. A factory director refused to let Mr. Shabad meet with his workers. The head — and only employee — of the local radio station here told him he did not have a prayer in this month's election.

And everywhere he went, people blamed "the democrats" for all their many hardships, often adding to the insult by praising the ultra-nationalist leader Vladimir Zhirinovskiy.

Gorbachev Says He'll Vote 'Yes'

LONDON — The former Soviet president, Mikhail S. Gorbachev, said Wednesday that he would vote in favor of a new Russian constitution proposed by his rival, Boris N. Yeltsin.

are still mostly controlled by long-time Communist officials. Mr. Shabad's campaign seems very much that of a lonely opposition figure.

None of this appears to bother him. As a long day ended in an unbeaten auditorium with an army veteran berating Mr. Shabad for destroying a great superpower, the candidate seemed refreshed.

EUROPEAN TOPICS

As World's Recession Bites, More Finns Line Up for Food

In scenes reminiscent of Depression days, increasing numbers of people in one affluent Finland are lining up for handouts of bread and clothing.

Around Europe

Big Brother is outgunning criminals in a troubled urban area of northern England. A new computer program used by the police in South Tyndeside, near Newcastle, predicts the time and place where crimes are expected, based on patterns of the preceding 28 days;

patrols are then beefed up. The results have been dramatic: a 22.5 percent drop in burglaries in the first year. The approach, developed by Newcastle University, is like a high-tech version of the old police-station map covered with colored pins, each representing a crime.

EC-Yeltsin Talks Focus on Trade and Democracy

BRUSSELS — President Boris N. Yeltsin began a three-day trip to Brussels on Wednesday with the Europeans keen to hear pledges from the Kremlin leader that he will stick to the democratic path after parliamentary elections.

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the parliamentary elections and referendum on his draft constitution on Sunday.

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ization, before signing a "declaration of intent" with the European Community and a series of separate encounters with top officials from some EC states.

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THE BEST OF EUROPEAN BUSINESS TRAVEL				
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AMSTERDAM Hilton Great Views, Superb Hotel 1077 BG Amsterdam, Netherlands Tel: (31) 20 78 0780	BRUSSELS MONTGOMERY HOTEL BRUSSELS 1180 Brussels, Belgium Tel: (32) 21 741 8511	FRANKFURT STEIGENBERGER FRANKFURTER HOF D-69331 Frankfurt, Germany Tel: (49) 69 215 02	LONDON Sheraton Park Tower Five star hotel London, SW 1W 9JN, U.K. Tel: (44) 11 224 8231	PARIS SAINT JAMES PARIS A Great Chateau Hotel 75116 Paris, France Tel: (33) 11 4294 2929
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مسألة من الأصل

STATESIDE / THE REVOLVING DOOR



HEALTH CARE FEEDBACK — Hillary Rodham Clinton, head of the Clinton administration's health care task force, listening to discussion of the administration's proposal for reforming the nation's medical system at a roundtable in Boston. The session lasted for more than three hours.

Prolonging Rich Tradition, 2 Aides Become Lobbyists

By Ann Devroy
Washington Post Service
WASHINGTON — The first two senior officials to leave the Clinton White House will head major lobbying or public-relations concerns here, following a long Washington tradition that President Bill Clinton promised to stop.
Mr. Clinton vowed to "end the revolving door from public service to private gain, and both of the officials leaving — Howard Paster, head of the congressional liaison office and Roy M. Neel, deputy chief of staff — insist that they will not lobby the White House.
But Mr. Paster, who is rejoining the huge lobbying firm of Hill & Knowlton, and Mr. Neel, who will head the United States Telephone Association, will be serving clients who have major issues before the White House and Congress, from health care to telecommunications.
To replace Mr. Neel, the White House selected Philip Lader, a deputy at the Office of Management and Budget. The announce-

ment on Tuesday was not greeted with widespread approval in the White House or among Democratic politicians because of Mr. Lader's lack of experience in Washington and national politics.
During his presidential campaign, Mr. Clinton criticized the culture of Washington, and noted specifically that allowing former officials to lobby the people they worked with was not in the people's interest.
"I think there should be limits on the revolving door from government to lobbying," he said. "I think we should make it much more difficult for people to walk out of a governmental job and start lobbying."
The White House chief of staff, Thomas F. (Mac) McLarty, said no objections were raised to the new jobs for Mr. Paster and Mr. Neel because both officials "are fine, ethical people."
"You have to start there," he said.
Mr. McLarty and others said that as long as there were "advocates and lobbyists" in Washington, it would be unfair and wrong to bar future employment for those who come to work in the White House. They added that

Mr. Clinton was taking several other steps to curb the influence of lobbyists, such as limiting tax deductions for lobbying and expanding from one to five years the period in which officials could not lobby their former agencies.
Mr. Paster, the new president and chief executive officer of Hill & Knowlton Worldwide, said he would not lobby either the White House or the Congress.
But a Washington lobbyist who was approached for the job Mr. Paster is taking said, "They want a rainmaker. His job is to get business for Hill & Knowlton, and they want someone in the administration who knows the president and the players to give them the stature to attract clients."
Mr. Neel brings to the U.S. Telephone Association, the Washington lobbying arm for phone companies, nearly two decades of experience in high-technology and communications issues. Mr. Neel was a top aide to Vice President Al Gore when he was in the Senate and then as his first vice presidential chief of staff.

Mr. Neel said he "feels perfectly comfortable" about lobbying Congress. "The public interest is not well served by having no one from the private sector go into government or having no one from government go out to the private sector," he said.
Mr. Lader, Mr. Neel's replacement, was described by Mr. McLarty as the "chief operating officer" at the White House, responsible for White House operations and staff, including overall policy coordination. That is a far broader mandate than was given to Mr. Neel.
An official said that Mr. McLarty would assume more outside duties and that Mr. Lader would work inside. Mr. Lader is expected to impose discipline on an unusually undisciplined White House.
The announcement was greeted with skepticism by some in the White House, who noted Mr. Lader's lack of Washington and national political experience, his life in business and academia before his current job, and his reputation as a "nice guy with good business management skills, nice smile, nice manners, not tough."

Beefing Up Protection for GIs Pentagon Fear: Attacks With Poison Gas or Atom Arms

By Michael R. Gordon
New York Times Service
WASHINGTON — To guard against Third World threats, the Pentagon is undertaking a major effort to protect American troops against poison gas, biological agents and nuclear weapons.
The initiative reflects the view that efforts to stem the spread of weapons of mass destruction are most likely to fall short, making U.S. forces increasingly vulnerable to attacks by Third World foes.
To carry out its program, the Defense Department plans to spend hundreds of millions of dollars to buy new vaccines to inoculate troops against germ warfare and develop new bombs to incinerate chemical and biological weapons stocks, among other steps.
In a stark warning to potential adversaries, the Pentagon also said it would produce more powerful munitions to blow up underground command posts used by Third World leaders who direct the use of the most deadly weapons.
"We're looking at improved nonnuclear penetrating munitions to deal with underground installations," Defense Secretary Les Aspin said in a speech at the National Academy of Sciences on Tuesday. "Saddam Hussein, you'll recall, was building a lot of underground refuges because normal structures were totally vulnerable to our precision air strikes. We cannot let future Saddams escape attack."

In the Gulf War, the U.S. military also had great difficulty in searching for Iraq's Scud missiles and found itself without enough vaccine to protect American troops against possible germ weapons.
The United States also had poor intelligence on the scope of Iraq's nuclear threat and did not have special weapons that could totally destroy stocks of chemical and biological weapons instead of blowing some up and scattering the rest.
Some of the military's limitations are also evident in the case of North Korea. The Clinton administration has all but ruled out a pre-emptive strike because it might trigger a North Korean attack on South Korea.
General Merrill McPeak, the air force chief of staff, said recently that a pre-emptive attack would not be wholly successful, because U.S. intelligence could not locate North Korea's hidden caches of plutonium and because attacks on North Korea's graphite-core nuclear reactor with conventional bombs could cause radioactive pollution.
"More than a score of countries — many of them hostile to the United States, our friends and our allies — have now or are developing nuclear, biological or chemical weapons, and the means to deliver them," Mr. Aspin said. "More than 12 countries have operational ballistic missiles, and others have programs to develop them."

Outdated Storage Sites Leaking Radioactivity

By Matthew L. Wald
New York Times Service
WASHINGTON — Millions of pounds of highly radioactive reactor fuel have been sitting in Energy Department storage pools for so long that the fuel and storage equipment are breaking down and spreading radioactivity, according to the Energy Department.
The problem promises to add substantially to the cost of cleaning up after 50 years of nuclear weapons production, already expected to be tens of billions of dollars.
The fuel was put in making plutonium and tritium for bombs. It was to sit in the storage pools for only 18 months or so, to cool until the plutonium and other valuable material could be extracted from it. But when safety problems suddenly shut the processing plants in the 1980s, the fuel was marooned.
The Energy Department has 29 pools or clusters of pools, at the Savannah River Site, near Aiken, South Carolina; the Hanford Site, near Richland, Washington; and the Idaho National Engineering Laboratory, near Idaho Springs.
All three are large government reservations in rural areas, limiting the danger of public exposure. But deterioration has already exposed dozens of workers to sharply higher radiation levels. And any radioactive material that escapes could spread for many years.
The spent fuel is generally uranium wrapped in aluminum or other metal, which is submerged in water held in concrete basins that are either unlined or lined with steel.
The basins, which the department described as being like "roast swimming pools," may hold a few thousand to more than a million gallons of water, and contain many tons of the fuel.
Some of the fuel is in a chemical form that will not rust, but the aluminum that surrounds it is cor-

roding, allowing radioactive material to escape. In other cases, the uranium itself is in a metallic form and as soon as the aluminum in which it is wrapped develops a leak, the uranium rusts and contaminates the water in the pools.
Along with the fuel and its wrapping, the racks, cranes and cables used to handle the fuel are also rusting. At a briefing Tuesday in which the department released a report on the fuel, officials displayed underwater photos of metal parts that are now so deformed that they look like they might have been taken off the Titanic.
Thomas P. Grumbly, assistant secretary of energy for environmental restoration and waste management, said that the department had so far only one solution to the problem: storing the fuel in concrete and steel casks.
"Here we are at the edge of a spent-fuel crisis and all we have is dry casking technology," he said. The department, he said, had yet to explore other solutions that may be more effective.
The storage pools have cooling systems and water-purification systems, but in some cases radioactive material is leaking into the water so fast that the purification systems can barely keep up, officials said.
"We can't keep this stuff in the basins," Mr. Grumbly said. "We just can't."

POLITICAL NOTES

President Firmly Behind Elders

WASHINGTON — President Bill Clinton said Wednesday that he disagreed with the suggestion by Surgeon-General Joycelyn Elders that legalizing drugs could help make streets safer, but that he would "stand behind her four square."
"When you have someone who is outspoken and energetic like she is there are going to be times when she'll be outspoken and energetic in a way that I don't necessarily agree with," he said.
The president, who weathered earlier storms over blunt statements by Dr. Elders when she was his health director in Arkansas, said, "I think the cost of legalizing drugs would far outweigh the benefits."
He added: "I certainly stand behind her four square. I think she's done a good job, and she's beginning to really focus the country on a lot of these health problems."
Dr. Elders said Wednesday that she had "no second thoughts" about her comments. She said she had not been reprimanded or muzzled by the White House.
Republicans and conservatives who opposed her confirmation expressed outrage; some said the outspoken doctor should resign or be dismissed.
"Americans must be wondering if the surgeon general is hazardous to our health," said the Senate Republican leader, Bob Dole of Kansas.
In comments Tuesday, Dr. Elders said that 60 percent of violent crimes were drug- or alcohol-related and that she felt that legalizing drugs would "markedly reduce" the crime rate.
She added that she did not know all the ramifications, but that it was worth studying. (AP)

Deja Vu for Republican Senator

AUSTIN, Texas — Senator Kay Bailey Hutchison, Republican of Texas, was re-indicted Wednesday on ethics charges stemming from her tenure as state treasurer, a prosecutor said.
"Same charges, same indictments," said Steve McCleary, a Travis County prosecutor.
Mrs. Hutchison, 50, was previously indicted in September on four felony counts and one misdemeanor charge.
She was accused of using treasury employees to perform personal and political chores on state time and of attempting to cover up the activity by destroying computer tapes.
On Oct. 26, those charges were dropped after Mrs. Hutchison's lawyers discovered that a grand juror on the previous panel was ineligible to serve.
Mrs. Hutchison, who won a special election June 5, has denied wrongdoing. (AP)

A Money-Back Deal for Shultz

WASHINGTON — A special panel of the federal court of appeals in Washington announced

that it had awarded former Secretary of State George P. Shultz \$281,398 to reimburse him for legal fees he incurred in 1992 while he was a subject of the Iran-contra investigation conducted by the independent counsel, Lawrence E. Walsh.
The reimbursement was made under the 1978 ethics in government act that initially set up independent counsels. Under that act, an individual who has been investigated by an independent counsel is eligible to have his legal expenses reimbursed by the government if he is a "subject" of the investigation and no indictment is brought. (WFP)

Wolfgang Paul Dies, Shared Nobel For Work on Ions and Electrons

New York Times Service
BONN — Wolfgang Paul, 80, who was awarded the Nobel Prize in Physics in 1989 for his work in isolating ions and electrons, died of heart failure here Monday.
Mr. Paul was noted for his work in developing a method of isolating ions and electrons in a way that allowed scientists to measure them with precision. He shared the Nobel Prize with Norman F. Ramsey, and Hans Dehmelt, both Americans.
Mr. Paul had been associated since 1952 with the University of Bonn, where he was director of the Physics Institute.
He studied physics and engineering in Munich and obtained a doctorate in physics and engineering in Berlin in 1929.
He became a student of Hans Koppermann. Their work on particle physics interested the Nazis, who wanted Germany to produce a nuclear weapon before the Allies

did. After the war, he was invited to the United States to lecture at Harvard and the University of Chicago.
Lewis Thomas, 89, Essayist And Medical Philosopher
New York Times Service
Lewis Thomas, 80, the poet-philosopher of medicine who was president of the Memorial Sloan-Kettering Cancer Center and dean of the medical schools at Yale and New York University, died of Waldenstrom's disease Friday in New York City.
The essays that brought him renown were first written for The New England Journal of Medicine and later collected in best-selling books, including "The Lives of a Cell," for which he won a National Book Award in 1974, and "The Medusa and the Snail."
He was haunted in his later years by what he called "the risk of earth-incandescence." It was unlikely,

GI in Germany Decapitates Wife's Lover

Agence France-Presse
FULDA, Germany — An American soldier cut off the head of his pregnant wife's lover and put it on her bedside table in the hospital here where she was about to give birth, a spokesman at the German public prosecutor's office said Wednesday.
The husband struck when his rival, a fellow soldier, was phoning the woman from Sieckels military airfield.
The husband cut off the lover's head, then drove to the hospital and showed it to his wife, leaving it there.
The victim had time to telephone the woman to tell her, "Your husband is coming, before being beheaded, the German sources said.
An army spokesman confirmed that a decapitated body had been found at the airfield.

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Bhutan	1-800-423-0277
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British Virgin Is.	1-800-877-8880
Canada	1-800-877-8880
Chile	80-4037
Colombia-English	000-21-0010
Colombia-Spanish	000-23-0110
Costa Rica	953
Cyprus	000-500-01
Denmark	8008-8877
Dominican Republic	1-800-787-8877
Ecuador	171
El Salvador	191
Finland	9000-1-0294
France	18-0087
Germany	030-0013
Ghana	800-041-411
Greece	95
Honduras	001-800-127000
Hong Kong	808-8877
Hungary	80-898-01-877
India	1-888-56-2888
Indonesia	173-828-8777
Ireland	172-8877
Japan	003-011
Japan	0066-55-877
Jordan	6800-12
Korea	800-88
Lebanon	003-0013
Malawi	800-777
Malaysia	155-8777
Maldives	0080-010
Mexico-Mexico City	55-800-677-0000
Mexico	18-0087
Netherlands	06-002-010
Netherlands Antilles	001-800-745111
Norway	02-10
Oman (phone)	000-22-877
Oman	111
Panama	005-12-000
Paraguay	005-12-000
Peru	199
Philippines	888-488-8888
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Puerto Rico	1-800-877-8888
Romania	81-800-877
Russia	8-800-105-0320
South Africa	156-5123
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South Africa	1-800-90-0000
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Taiwan	807
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Away From Politics

• American schools employ fewer teachers than they do support staff such as guidance counselors, bus drivers and cafeteria workers, the Paris-based Organization for Economic Cooperation and Development reported. The United States is the world's top spender on education, a study found, but has a smaller proportion of teachers in the work force than most other industrialized countries.
• A week into a hunger strike, Dr. Jack Kevorkian was "considerably weaker" but still refusing to submit to a physical examination, his lawyer said. Dr. Kevorkian was jailed Nov. 30 in Pontiac, Michigan, on charges of aiding a suicide. "We are now, as much as I hate to say it, beginning the death watch," said the lawyer, Geoffrey N. Fieger.
• A boy went to his kindergarten class carrying heroin in five plastic envelopes, the police said. The boy, 5, from the New York City borough of the Bronx, told his teacher that his uncle had put the envelopes in a pocket of his jacket, a police detective said.
• An important witness in the World Trade Center trial, asked to identify two of the defendants whom he said he had encountered hours before the bomb attack on the New York skyscraper, walked around the courtroom and then picked out two members of the jury instead.
• The paper industry has set a goal of recycling 50 percent of all paper by the year 2000. The American Forest and Paper Association, which vigorously fought strict new Clinton administration recycling requirements for government printing and writing paper, said its goal will mean 50 million tons of paper will be recovered in 2000.
• Massachusetts is about to outlaw discrimination against homosexual students in public schools, making it the first U.S. state to take such a step. (AP, NIT)

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COMING DECEMBER 13TH
UNITED STATES

Patricia Wells is the author of The Food Lover's Companion, now in its third edition.

Handwritten text: 11/11/93

5 Days to Pullout, Israel Bolsters Troops

By Clyde Haberman
New York Times Service

BETHLEHEM, Israel-Occupied West Bank — Five days before Israel was scheduled to begin pulling back its forces to the Gaza Strip and part of the West Bank, it went to the opposite direction Wednesday, significantly bolstering troop strengths in an effort to control a recent surge of violence.

Despite the reinforcements, Palestinian gunmen shot and seriously wounded an Israeli who was shopping in Bethlehem across from the traditional burial place of the biblical patriarch Rachel.

It was the latest in a long series of attacks that have left at least 50 Jews and Arabs dead and several hundred wounded since Israel and the Palestine Liberation Organization agreed in September on introducing Palestinian self-rule to the occupied territories.

With violence lately overshadowing what are supposed to be talks about peace — and with militants on both sides threatening to do whatever it takes to torpedo the Israeli-PLO accord — the Israeli authorities decided on a muscled-in display to show that they are still in charge.

Thousands of soldiers were sent into the West Bank and Gaza, reportedly more than at any point since the early days of the Palestinian uprising, which enters its seventh year on Thursday.

But officials insisted that the buildup was a

temporary measure, and did not represent a retreat from Israel's commitment to begin withdrawing its forces, starting in Gaza and the West Bank town of Jericho, once all the security arrangements are worked out with the PLO.

The two sides have set Monday as their deadline, but it increasingly looks as if they will need more time to work out key details.

Prime Minister Yitzhak Rabin told Israeli newspaper editors that Israel had four times as many troops in the territories as in southern Lebanon and along the Lebanese border. He said there were 130 companies in the territories; that would amount to about 14,000 soldiers.

It was a rare disclosure about troop strength, normally a top secret, and it strongly suggested a political maneuver to show that no matter how loudly Jewish settlers in the territories proclaim that they have been abandoned, the government is still committed to protecting them.

As expected, however, settlers and their rightist supporters were not assuaged, especially since the buildup is also intended as a check on gun-toting extremists within their ranks who have vowed to bring down the Rabin government.

Rightists stepped up street protests against the agreement with the PLO, which they call treasonous.

The troop reinforcements left parts of the territories looking as besieged as at any time during the Palestinian uprising.

For a second day, a 24-hour curfew was imposed on Hebron, where militant settlers and Palestinians are locked in a struggle that has killed three people to riotous days.

Bethlehem, too, was put under curfew for a while because of the shooting of the Israeli, Yair Cohen, who lives in a nearby settlement. Israeli soldiers conducted house-to-house searches, holding several hundred Palestinians for questioning and then letting most of them go.

"We still need to show we're in control of the situation," an Israeli official said. "We're still there. But it doesn't mean that we're not going to get out of there."

Delay Acceptable to U.S.

Secretary of State Warren M. Christopher said Wednesday that the United States would not object if Israel delayed its troop withdrawal from the Gaza Strip and Jericho, provided the PLO also agreed, Reuters reported from Cairo.

"If the two parties would agree that they need a few more days or whatever period of time to work out existing problems," Mr. Christopher said, the United States "would not have an independent judgment that was adverse."

But he urged Israel and the PLO to carry out their accord soon.

"The sooner they can begin the actual implementation, the more progress that will be made and the less the likelihood of violence," Mr. Christopher said.



Lady Thatcher leaving the inquiry after her testimony Wednesday. She parried polite but pointed questions from Lord Justice Scott.

Thatcher Tells Inquiry She Wasn't Informed of Sensitive Sales to Iraq

By Richard W. Stevenson
New York Times Service

LONDON — Former Prime Minister Margaret Thatcher said Wednesday she had been unaware that junior ministers relaxed a prohibition on sales of militarily sensitive goods to Iraq in 1988, allowing President Saddam Hussein's regime to buy British weapons-making equipment in the years before the Gulf War.

Testifying for the first time in an official inquiry into the sales, Lady Thatcher said she wished she had been kept informed of the change. She said, however, that she viewed the shift even now as technical, limited in effect and not a fundamental policy change that required her approval or public disclosure.

Lady Thatcher, who led the Conservative government until November 1990, four months after the Iraqi invasion of Kuwait, said in response to questions at the inquiry that she had not knowingly misled Parliament when she told the House of Commons in 1989 that guidelines on weapons sales to Iraq formulated in late 1984 had not been changed.

"This particular answer given was what I believed to be correct," she said.

Asked whether Parliament should have been informed of the change, Lady Thatcher, who frequently referred to her tenure in office in the present tense, replied: "I would not like to answer that question without considering it with my ministers."

Lady Thatcher spent most of the day parrying polite but pointed questions from Lord Justice Scott, the High Court judge who is leading the inquiry, and his chief assistant, Presley Baxendale.

The inquiry is to issue a public report next year, but has no power to bring criminal charges, and witnesses have been granted a near-

blanket immunity from prosecution.

Occasionally turning combative, the former prime minister repeatedly turned aside suggestions that the policy shift outlined in government documents and previous testimony to the inquiry amounted to a major change to the way Britain dealt with requests by its manufacturers to export "dual use" equipment to Iraq.

Such equipment, including machine tools, has civilian uses but can also be employed in the production of weaponry.

Under the 1984 guidelines, Britain effectively prohibited sales of weaponry and dual-use machinery to both Iran and Iraq, which were at war at the time.

After the cease-fire between those two countries in 1988, Britain began responding to requests from its exporters by allowing the sale of dual-use equipment to Iraq, although the Thatcher government did not publicly disclose the change.

"It seems to me abundantly clear that when they proposed these changes they viewed it as a change of circumstances rather than a change of policy," Lady Thatcher said.

The inquiry was set up by Prime Minister John Major last year following the collapse of a criminal case against the top executives of Matrix Churchill, an Iraq-owned, British-based company that was selling machine tools to Iraq in the late 1980s.

The executives had been charged with violating export laws, but the charges were dropped after government officials acknowledged they had known that the equipment might be used for military purposes.

Lady Thatcher said that she had not been consulted about the granting of export licenses to Matrix Churchill.

GATT: Asians and Latins Furious

Continued from Page 1

an support for numerous changes in the draft text of the talks. The changes would allow Washington and Brussels to continue imposing steep taxes, known as anti-dumping tariffs, on low-priced imported goods, often from Asia and Latin America.

"They attempt to push this at the last minute and they try to ram it through — it's again a indication of lack of sensitivity to developing countries," said Kristinassy Kessavany, a Singapore envoy.

Koro Besho, a Japan Foreign Ministry negotiator, said the Brussels deal was bad for Japan on anti-dumping and did not go far enough in cutting tariffs on electronics, scientific instruments, paper, pulp and toys.

Meanwhile, American congressional leaders, executives, labor representatives, lobbyists and environmentalists who fought for and against the North American Free Trade Agreement have been pouring into Geneva in recent days to fight shoulder to shoulder against various provisions in the draft accord.

The influx is one of the first signs of a looming political problem for the Clinton administration to winning congressional approval of the GATT accord.

Senator Daniel Patrick Moynihan of New York, worried about America's ability to retaliate against dumping, and Senator John

SPACE: Another Hubble Success

Continued from Page 1

Mr. Hoffman and Mr. Musgrave were also scheduled to repair the power supply of one of the telescope's four science instruments, a light-splitting spectrometer, and conduct an impromptu second trip to the top of the telescope to put a homemade cover over a loose sensor housing that could flake off and contaminate the telescope's interior.

The long, flat connectors on the SADE units resemble those on the back of most personal computers, according to Mr. Hoffman, each with two little screws. And they are on the back of a module in a tight workspace. Although most elements of the telescope were designed to be serviced by astronauts

wearing fat spacegloves and therefore use fixtures that are "EVA-friendly," this hardware was considered unlikely to need servicing and, in a money-saving measure, was built more traditionally, officials said. Transistor overheating, however, has caused one of the two units to fail.

The crew is equipped with a device called a hairclip, which resembles a wire clothespin, designed to clamp down on the small screws so they do not float off into the telescope when loosened.

If the crew deals with the SADE connectors and other remaining tasks in the same unflinching manner in which they have tackled the first nine, officials said, there should be no major problems.

NEO-NAZIS: Verdicts Signal Tough German Stance

Continued from Page 1

humans." Both men had attended meetings of far-right groups, and Mr. Peters admitted that he had participated to other attacks on foreigners. In the firebombing confessions they later retracted, both men said they had intended only to scare people, not to kill anyone.

An anonymous caller who alerted the fire department to the two attacks in Mölln, apparently Mr. Peters, shouted, "Heil Hitler!" at the end of his calls.

One of the defense lawyers, while not conceding his clients' guilt, argued in his summation that the defendants were "two especially weak people" who were driven to anti-social acts because such acts were "an expression of self-assertion and the resulting need for validation."

The chief prosecutor conceded that this might be true, but said it did not overshadow the crime or its political motivation.

Judge Ehrlich evidently agreed. He said he sympathized with the

TRAIN: A Racial Motive in N.Y. Commuter Killings

Continued from Page 1

my seat, for real, knowing this man was going to kill people indiscriminately," said Carl A. Petersen, 48, of Garden City.

Passengers said the man fired repeatedly, then reloaded and fired again. Mr. Petersen worked his way to the vestibule, where passengers normally wait to get off. He and several others were hoping to escape when the doors opened, but the gunman fired several shots at the waiting passengers.

Kevyn Bloom of Garden City said

the gunman ran out of bullets, then stood in the train aisle with a blank look on his face. That was when Mr. Blum and two other passengers tackled him.

"It looked like a good time," said Mr. Blum, a 42-year-old Wall Street businessman. "He was standing to the aisle with the gun in his hand and as we came toward him, the gun dropped."

Mr. Ferguson bought his weapon legally in California after a 15-day waiting period required by state law, according to the store that sold it to him.

Lee Montoya, an official of Turner's Outdoorsman in Chino, California, said the sale, on May 5, was routine. Information about Mr. Ferguson was filed with California officials, Mr. Montoya said, and "nothing raised any red flags as to why he could not have a handgun."

The 9mm semiautomatic Ruger was traced to the store by the federal Bureau of Alcohol, Firearms and Tobacco. (AP, Reuters)

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اصحاب الطائرة

As Planes Fill China's Skies, Safety Gets Bumped

By Lena H. Sun
Washington Post Service

BEIJING — After three crashes and eight hijackings, the Year of Safety for Chinese airlines has turned into a Year of Calamity.

Last year was the worst in Chinese aviation history, with five crashes that killed more than 380 people, one-fifth of the world's passenger fatalities for the year. In November 1992, a Southern China Airlines Boeing 737 slammed into a mountain near Guilin, a major tourist stop in southern China. All 141 people aboard were killed. A year later, the Chinese government still has not officially announced the cause of that crash, the deadliest in Chinese aviation history.

So far in 1993—which was to have been the Year of Safety in Chinese aviation—three crashes have killed 73 people. In two of the crashes, bad weather has been cited as a factor. But in the third, which killed 59 people, initial Chinese news reports blamed pilot error and a runway that was too short.

Ji Jushan, head of the safety division of the civil aviation agency, now says the crash was caused by faulty wing flaps on the plane, a British Aerospace Whistlerjet.

With the world's fastest-growing aviation market and lax regulation, China's airlines are struggling to maintain safety standards. "Growth has been too fast," said Mr. Ji.

"This has created a strain on our basic facilities and training of personnel."

The aviation sector, which is undergoing rapid expansion, has failed to carry through rules on air safety and security," said Yan Zhiqiang, deputy director of the Civil Aviation Administration of China, after a nationwide tour this fall to study safety issues.

The safety problems come at a time when international travel to China and within the country is surging. While airlines in Europe and the United States are in a slump, China's passenger traffic grew 33 percent last year and 24 percent in the first half of this year over the same period in 1992.

The growth has been spurred by decentralization of the airline monopoly and by a booming economy that has raked in foreign investment, revived tourism and fueled desire by China's increasingly affluent population of nearly 1.2 billion to fly instead of take the train.

China is now scrambling to meet demand. It is trying to form new airlines, build airports, buy jets, train pilots and flight attendants, upgrade air-traffic control and improve decades of poor service—all at the same time.

"China is trying to develop its air industry very quickly to match its booming economy, and when you do things quickly, you tend to make mistakes," Stuart Matthews, chairman of the U.S.-based Flight

Safety Foundation, said during a recent meeting in Kuala Lumpur.

China issued new regulations this summer to improve safety and double the traffic its overcrowded airports can handle. China has also sought help on crash investigations from the U.S. National Transportation Safety Board. The U.S. Federal Aviation Administration plans to post a senior representative in Beijing by the end of the year.

Meanwhile, the formerly monolithic Civil Aviation Administration of China has spun off its airline operations into seven semi-autonomous companies. Local governments, private companies and even peasants have bought or rented planes to open new routes. There are now at least 35 airline companies, but in July, the aviation agency stopped authorizing new airline companies.

In 1984, the country had 15 commercial aircraft, mostly unmodem Soviet-built models. Now, China has about 400 aircraft, according to a recent report in the official China Youth Daily.

Conditions make clear that there is a long way to go. Ground facilities lag behind the increased traffic. There are insufficient airports, many with damaged runways. Telecommunications, radar and other navigational facilities are outdated.

"This makes safe flight almost impossible regardless of how advanced the planes are," the Southern Weekend newspaper

reported in April in an exposé of aviation problems.

China also faces big shortages of skilled, experienced staff in nearly every field, from customs and air traffic control officers to pilots, flight attendants and engineers.

The former manager of a Western airline that flies to China said: "They're very lax about the amount of hand baggage you have, they're very lax about where you put your bags, and they'll take off before people are all seated."

On a flight from Xian to Shanghai, a European businessman noticed something different about his lunch. "It really looked like something was missing," he recalled. When he walked by the flight attendants' work station later, the curtain was slightly open.

"I saw the plates with all the meat piled up, and the flight attendants were sitting there eating it," he said. "They had opened each and every box and taken off the meat."

8th Hijacking to Taiwan

A Chinese businessman armed with a surgeon's knife hijacked a Chinese airliner to Taiwan on Wednesday, the police said. It was the eighth hijacking from China to Taiwan this year.

The hijacker surrendered and was arrested, and the MD-82 airliner, which landed safely with 129 passengers and eight crew members, was allowed to leave three hours later.

Don't Act Alone, China Tells Britain

Reuters

HONG KONG — China offered a carrot and a stick to Britain on Wednesday in the dispute over Hong Kong's political future.

The Chinese conditionally offered to resume their dialogue with Britain over a set of reforms proposed by Governor Chris Patten and issued a blunt warning that talks were dead if Hong Kong went ahead with even the most modest reforms without Beijing's approval.

In London, the former chief British negotiator for the colony, Sir Percy Cradock, urged his country to back down, saying it would be foolhardy not to.

"Unilateral action and confrontation with China would be more damaging to Hong Kong in its special circumstances than a negotiated settlement," he told Parliament's Foreign Affairs Committee.

Sir Percy negotiated the 1984 Chinese-British Joint Declaration on the handover of Hong Kong to China in 1997. In the present dispute, China claims that Britain, with its late-coming democratic reform proposals, is violating the 1984 agreement.

Sir Percy said China was serious in its threat to dismantle Hong Kong's legislature in 1997 if Mr. Patten pushes through his plan to let the colony elect the majority of its Legislative Council, the colonial parliament, for the first time in 1995.

As a result, he said, Britain risks undermining democracy, the rule of law and the attributes of a liberal society if it insists on regarding democracy as the only virtue worth pursuing.

"If the effect of instituting an extension of democracy in the face of violent Chinese opposition is only to provoke a vicious backlash and damage the longer-term prospects for democracy, as well as endangering other freedoms and stability itself, then the virtue ceases to be one and becomes a serious defect," Sir Percy said.

Mr. Patten said last Thursday that he would submit unilateral reform proposals after a 17th round of talks with Beijing ended in deadlock. China said his move had killed off any chance of a negotiated settlement.

In Hong Kong on Wednesday, Chinese sources said Beijing would resume talks about the colony's democratic future and permit a concession if Mr. Patten postponed introducing his partial reform bill to the colony's legislature.

Beijing would go further and approve one of the British reform proposals should Mr. Patten slow down his push for constitutional reform and permit the talks to reopen.

"The Chinese would agree on a British proposal to apply the 'single seat, single vote' concept to the 1995 legislative polls in Hong Kong if Patten slows down and the talks are reopened," he added.

But, one senior source said, "If Patten presents it to the Legislative Council, there will be nothing left to talk about."

"I think the best way is for legislators to request a postponement, the source said. "If the majority of legislative councilors ask for it, Patten should be compelled to comply."

Later Wednesday, China's official Xinhua News Agency said, "Once the British side submits the 'Political Reform Program' to the Legislative Council, either completely or partially, it would mean the British side has unilaterally closed the door of negotiations."

Xinhua said the Patten plan was a ploy to extend British influence in Hong Kong.

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Xinhua said the Patten plan was a ploy to extend British influence in Hong Kong.

Japan Will Shift Maneuvers, Citing Korea Instability

Agence France-Press

TOKYO — Japan has decided to shift the focus of army exercises away from northern Japan because of instability on the Korean Peninsula and the breakup of the former Soviet Union, it was reported Wednesday.

Starting in 1996, Japan's Defense Agency plans to transfer troops stationed in Hokkaido, Japan's northern island, to Honshu on the main island and the southern island of Kyushu for military exercises, the newspaper Yomiuri Shimbun reported, citing agency officials.

The newspaper quoted agency officials as saying that the revisions were meant to respond to eased tensions following the demise of the Soviet Union and volatile developments on the Korean Peninsula that could affect national security.

The Hokkaido military exercises constitute one of the army's largest maneuvers, the newspaper said. A Defense Agency spokesman declined to confirm the report.

Australian's 'Regret' Is Enough for Mahathir

Compiled by Our Staff From Dispatches

LANGKAWI, Malaysia — Prime Minister Mahathir bin Mohamad of Malaysia said Wednesday that he could accept Paul Keating's statement of regret for calling him a "recalcitrant" — a signal he may be ready to defuse a quarrel with Australia.

But the Malaysian leader said he was not sure his cabinet would agree to end the diplomatic crisis when it meets Saturday without an outright apology from Mr. Keating, the Australian prime minister.

"It's people's feelings, I have no control over them," Mr. Mahathir said, referring to his ministers, some of whom have called for strong retaliatory measures against Australia.

Nevertheless, political analysts said the cabinet always took its cue from Mr. Mahathir, who has led Malaysia for 12 years. "If he has expressed his regret, we are happy," Mr. Mahathir said

at an aerospace exhibition on this northwestern resort island just south of Thailand.

"Why split hairs?" he added, when asked if Mr. Keating's regret was sufficient for the apology Malaysia has demanded over the curious case of a word.

Mr. Keating had called Mr. Mahathir a "recalcitrant" for boycotting a conference of Pacific leaders in Seattle last month at which President Bill Clinton was the host.

In a speech Wednesday, Mr. Keating said that his remark about Mr. Mahathir was not intended to cause offense.

The Australian foreign minister, Gareth Evans, warned Malaysia on Wednesday that it risked negative consequences if it escalated the diplomatic dispute.

"No reasonable further step can be asked of the prime minister," he said. "No statement can be asked that goes further" than the expression of regret. (Reuters, AFP)



TASTE OF FREEDOM — Charles Walton, an American linguist who was held captive by Muslim extremists for 24 days in the southern Philippines, arriving Wednesday in Manila. Mr. Walton, 60, was kept in a 4-by-8-foot hut but said he was treated "acceptably well" by his captors.

Washington And Seoul To Delay on Sanctions

Reuters

SEOUL — The United States and South Korea will not push for immediate sanctions against North Korea at the United Nations, even though the North's latest offer to end a nuclear dispute is unsatisfactory, South Korean officials said Wednesday.

Although North Korea's recent response to calls for inspection of its suspect nuclear plants is insufficient, a South Korean spokesman said, the reaction requires "basic consideration regarding the future of the Korean peninsula."

President Bill Clinton and President Kim Young Sam of South Korea, the spokesman said, will consider elements of the North Korean offer and not reject it entirely.

Mr. Clinton told Mr. Kim by phone Tuesday that the United States would not back off from its insistence that the North agree to full inspections of its nuclear facilities, the White House said.

The statement amounted to a rejection of North Korea's offer to allow some access to its installations while keeping its two most sensitive sites closed.

"The Northern offer contains some elements that deserve a positive reaction from Seoul and Washington though it is unsatisfactory and not acceptable as a whole," a ministry official said.

"Our goal is to resolve the nuclear issue peacefully through dialogue and negotiation," he said. "We have no immediate plans to refer the issue to the United Nations Security Council for international sanctions."

The UN secretary-general, Boutros Boutros Ghali, will visit North Korea this month, a spokesman said Wednesday in New York.

South Korea fears that harsher international action could prompt the unpredictable leadership of the Communist North to start a war.

North Korea on Friday reportedly offered to open five relatively minor sites but not its two most sensitive ones, at Yongbyon. They are a reactor and a reprocessing plant, which Western intelligence says could be used to separate plutonium for a nuclear bomb.

In return for its limited offer, North Korea wants U.S. diplomatic recognition and economic and political benefits.

INTERNATIONAL CLASSIFIED

A large classified advertisement section containing various listings for real estate, services, and business opportunities across different countries like Paris, London, and New York.

PLANNING TO RUN A CLASSIFIED AD? READ THIS ONE FIRST.

A section titled 'MAKE EVERY WORD COUNT' featuring a 'WORD COUNT' table and a 'FIRST LINE OF TEXT' grid for advertising purposes.

A detailed advertisement form for 'Herald International Tribune' classified ads, including contact information for various office locations like New York, London, and Tokyo.

OPINION

Real Reform for Italy, or Else Real Extremism

By William Pfaff

PARIS — The successes of ex-Communists and neofascists in Italy's local elections last weekend does not mean what they might seem to mean. Italy's Communists are no longer Communist, and its fascists are both less and more than fascist.

country after the next parliamentary elections, presumably in the spring. Its leader, Achille Occhetto, says that the Democratic Party of the Left is ready to govern the country "as part of a large democratic alliance" of the country's new reform forces.

force in the North. He wants to change the party name and recruit centrist allies to claim a leading place in a national regrouping of moderate-to-conservative forces.

LETTERS TO THE EDITOR

Blaming the Victims

Many Muslim women in the former Yugoslavia live in fear of being called upon to testify at the United Nations war crimes trials in The Hague. These women have not admitted to being raped, not even to their mothers, much less to their fathers, husbands or brothers.

ones be hailed as the heroines and heroes of their people, honored as highly as the men who fall in battle, as martyrs. Then, justice for the rapists would not spell doom for their victims.

The UN and Somalia

The United Nations Operation in Somalia, or Unosom, is now the de facto central government of that country, whether or not it admits to this, and conducts itself accordingly.

shu. Elections for district and regional councils are taking place in many parts of the country. Unosom should systematically consult and involve the appropriate Somali intelligentsia (those experienced, credible personalities with high integrity and clean records) at the national level, so as to assist in the search for adequate "Somali solutions for Somali problems."

Everybody's Business

Regarding "The Artist's Private Trials Are None of Our Business" (Opinion, Nov. 17) by Jonathan Yardley: I write you as one of the producers of "Tom and Viv," the motion picture savaged by Mr. Yardley. Here is a journalist criticizing a film he has never seen based on a script he has never read, on grounds it allegedly attacks or intrudes into the life of a famous poet.

The film is in no way an attack on the artist or personal reputation of T. S. Eliot. Instead, we seek to convey an understanding of the degree to which Mr. Eliot's personal life affected his poetry. By understanding the peaks and troughs of his relationship with Vivienne, we gain insights into the nature of the genius who gave us "Four Quartets" and "The Wasteland."

Mr. Yardley condemns the director Brian Gilbert's film, based on the early 1980s play, "Tom and Viv," about T. S. Eliot's first marriage. He has not seen the film and seems ignorant of the play. His own chitric logic seems to be that "it's O.K. for me and my insider friends to know what went on, but heaven forbid that the masses should have a glimpse."

This Gentle Reader Is Not Amused

By Lena H. Sun

BEIJING — People who know me wouldn't exactly call me tall. Or willowy. Or prone to getting my sources drunk, since I can barely hold my own when it comes to liquor.

me in May for an article on women foreign correspondents. The final product bore no resemblance to what I said. Among other things, it described me as having had tears in my eyes when I said that I would like to interview Deng Xiaoping, the senior leader. (I did say I wanted to interview Mr. Deng, but I was dry-eyed throughout the interview.)

MEANWHILE

cue from the supermarket tabloids of the West. Reporters are finding that sex, crime and scandal sell. And so, even though I am eight months pregnant, I was described as the Mata Hari of foreign journalism.

When I asked the reporter what had happened, she acknowledged that she had had to make up "a little extra material" to cast me in a positive light. There was no way she could publish what I really said, she told me.

The next day, the story continues, Lena Sun appears, smiling, at Director Zhang's office. This time Director Zhang says nothing, but just opens the filing cabinet. Two days later, on May 18, accord-

ing to the magazine, a front-page story appeared in The Washington Post about "structural reform that a certain Chinese commission is about to implement." The magazine claims that this information was from a secret document, and that its publication caused "great disadvantages to our work."

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Handwritten signature or text at the bottom center of the page.

HEALTH / SCIENCE

Before Pistols, How Did They Start Races?

By John Noble Wilford
New York Times Service

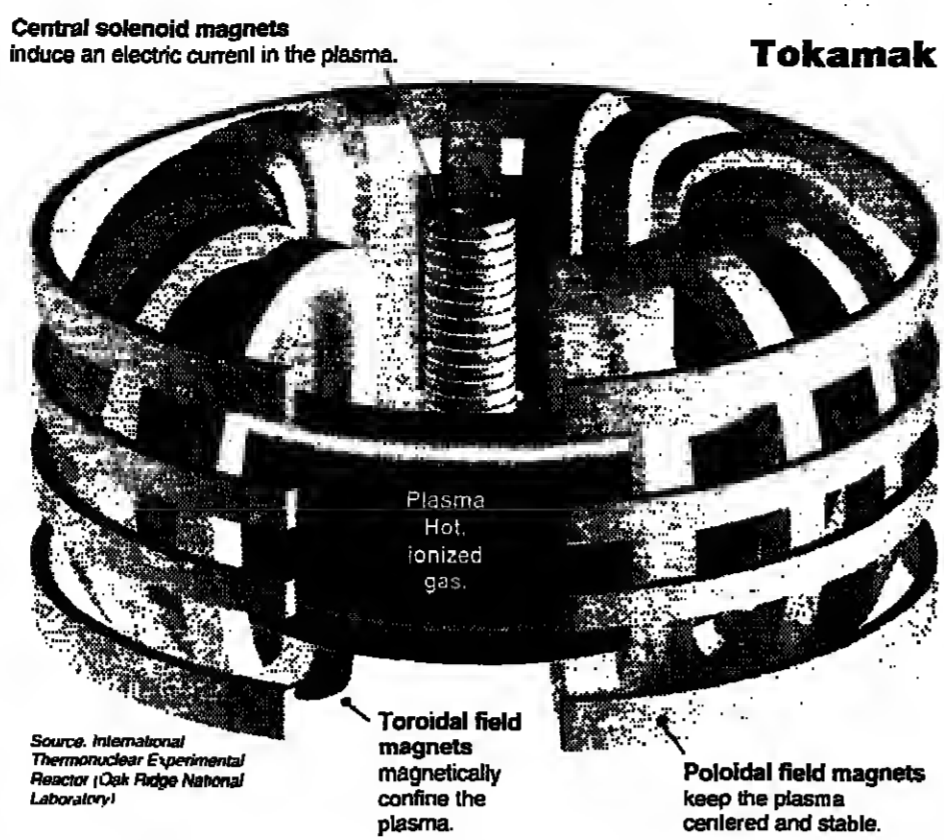
NEW YORK — At the Panhellenic Games of ancient Greece — as early as the fourth century B.C. — the runners would crouch and lean forward at the ready, their naked bodies glistening with oil. They were restrained against a premature start by two cords stretched tight across the starting line. One cord held them at their waist and another at the knees.

At the cry of "Aptei!" for "Take off!", the cords fell forward and the runners broke, sprinting down the track to the cheers of spectators in the stadium. This was the way the highly competitive foot races of Greece began at least as early as 340 B.C., long before there were starting pistols.

Archaeologists have learned of this new facet of the ancient Greek passion for athletics from drawings on a vase found in Athens and excavations at Nemea, a site southwest of Corinth where some of the games were held every summer. Dr. Stephen G. Miller, a classics professor at the University of California at Berkeley, described the findings this month in a lecture at the campus and in an interview.

The discovery of this innovative starting mechanism, Dr. Miller said, "shows very emphatically the frame of mind of Greeks of that period, the evolution of sport and the society that produces it."

A certain professionalism had come to athletics. The status and livelihood of the athletes depended on winning, and the Greeks, he said, were "doing everything they could to assure the fairness and objectivity of the races."



Source: International Thermonuclear Experimental Reactor (Oak Ridge National Laboratory)

For Fusion, the Big Test

By Malcolm W. Browne
New York Times Service

PLAINSBORO, New Jersey — The promise of cheap, clean fusion energy is about to undergo an acid test as tritium fuel flows for the first time into America's most advanced fusion test reactor.

A landmark series of experiments, scheduled to begin before Christmas and end next September, when the Princeton test reactor will be dismantled, could be either a giant step toward the dream of unlimited fusion energy or a blow that hobbles progress indefinitely.

The physicists supervising the experiment hope that they have correctly predicted what will happen and that the theoretical problems have been overcome. "But this is a time of great anxiety for all of us," said Dr. Ronald C. Davidson, director of the Princeton University Plasma Physics Laboratory.

A successful run during the next few months could encourage significant financing for future fusion research, but major snags could obstruct financial support and thwart American participation in an ambitious international fusion program.

A hydrogen fusion reaction of the type scientists are hoping to create at the Princeton reactor yields immense amounts of energy and produces negligible amounts of radioactive waste; unlike a conventional nuclear fission reactor, a fusion reactor could not melt down or release dangerous fission products, nor would it produce highly radioactive spent fuel.

proton in each hydrogen nucleus joins with the proton of another hydrogen nucleus to produce an element with two protons in its nucleus — helium.

Although ordinary hydrogen atoms can be made to undergo fusion, the conditions needed to start a fusion reaction are much less demanding if deuterium atoms, which contain one neutron as well as a proton, are used.

If all goes well during the planned tests and if the U.S. Congress makes a long-term commitment to support a continuing fusion research program, scientists believe a commercial fusion power plant could begin operating by the year 2040.

But much will depend on the willingness of many governments — those of the United States, Japan, Russia and Western Europe — to cooperate in financing an advanced fusion reactor prototype called the International Thermonuclear Experimental Reactor, which scientists like to abbreviate as ITER, pronounced "eat air."

IF IT works, the project would demonstrate the feasibility of igniting fuel in a sustained fusion reaction at 100 million degrees and producing far more electric power than the machine consumes.

Estimates of the cost of this international machine range up to \$11 billion, roughly the same as that of the superconducting supercollider, the huge proton accelerator that Congress voted to kill in October on the ground that it was too expensive.

Although a source of vast fusion power would have much greater economic impact than the pure research the supercollider would have made possible, Congress has been wary of fusion research in recent years. In 1991 it killed Princeton's projected \$1.8 billion Burning Plasma Experiment, which was intended to ignite a sustained fusion reaction.

"We ourselves may not live to see a commercial fusion reactor in operation," said Dr. Dale M. Meade, deputy director of the Princeton laboratory. "But we have a chance of leaving fusion energy technology to our grandchildren. It would be nice if they could inherit something besides deficits in energy and the federal budget."

China and Global Warming

By Philip M. Boffey
New York Times Service

NEW YORK — If global warming materializes as the threat many scientists predict, the world's ability to head it off may well be determined by China.

The United States is currently the world's leading emitter of carbon dioxide, the chief man-made contributor to global warming. But rapid economic growth and heavy reliance on dirty fuel may soon propel China toward that unenviable distinction.

China's pell-mell industrialization is powered largely by huge reserves of coal, the dirtiest of fuels in carbon emissions. Three-quarters of China's energy needs, from factories to home heating, are now met by burning coal.

Noxious fumes sting the eyes of city dwellers, haze obscures the views, and acid rain falls as far as Japan in one direction and southwest China in another. More worrisome for the rest of the world, China's smokestacks spew tons of carbon into the atmosphere, increasing the buildup of heat-trapping gases.

China already ranks third in carbon dioxide emissions, behind the United States and the former Soviet Union, and when Soviet emissions are split among the newly independent republics, China may well be second.

One U.S. projection even suggests that China could pass the United States in carbon emissions by the year 2025, though China's own projections suggest the United States will still lead the pack.

China's energy needs are projected to rise from the current level of 1.1 billion tons a year to more than 1.4 billion tons by the year 2000 — and carbon emissions are expected to rise sharply as a consequence.

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Beijing leaders do not appear to give the threat high priority.

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BOOKS

RETURN TO PARADISE
By Breyten Breytenbach. 224 pages. \$22.95. Harcourt Brace.
Reviewed by Lynn Freed
THIS wonderful book, the third in Breyten Breytenbach's trilogy of exile, incarceration and return, centers on a three-month visit he made to South Africa in 1991. The book is written with a wild heart and an unrelenting eye, and is fueled by the sort of rage that produces great literature.

South African Jew has a sort of superior sympathy for the Boers. And '91 is habitual for youngish Afrikaners to wipe out their entire immediate families in one go, usually with a firearm.

South African Jew has a sort of superior sympathy for the Boers. And '91 is habitual for youngish Afrikaners to wipe out their entire immediate families in one go, usually with a firearm.

WHAT THEY'RE READING
Anne Lecharlier, deputy director of the American Chamber of Commerce in France is reading "The Fall of Paris: The Siege and the Commune 1870-71," by Alistair Horne.
"During the siege, people ate cats, dogs, rats and even animals at the zoo to survive. After the armistice, the National Guard refused to turn in their weapons, set up the Commune and took over Paris." (K.N. Ocker, IHT)

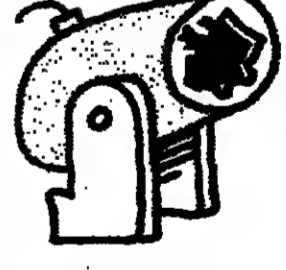
BRIDGE

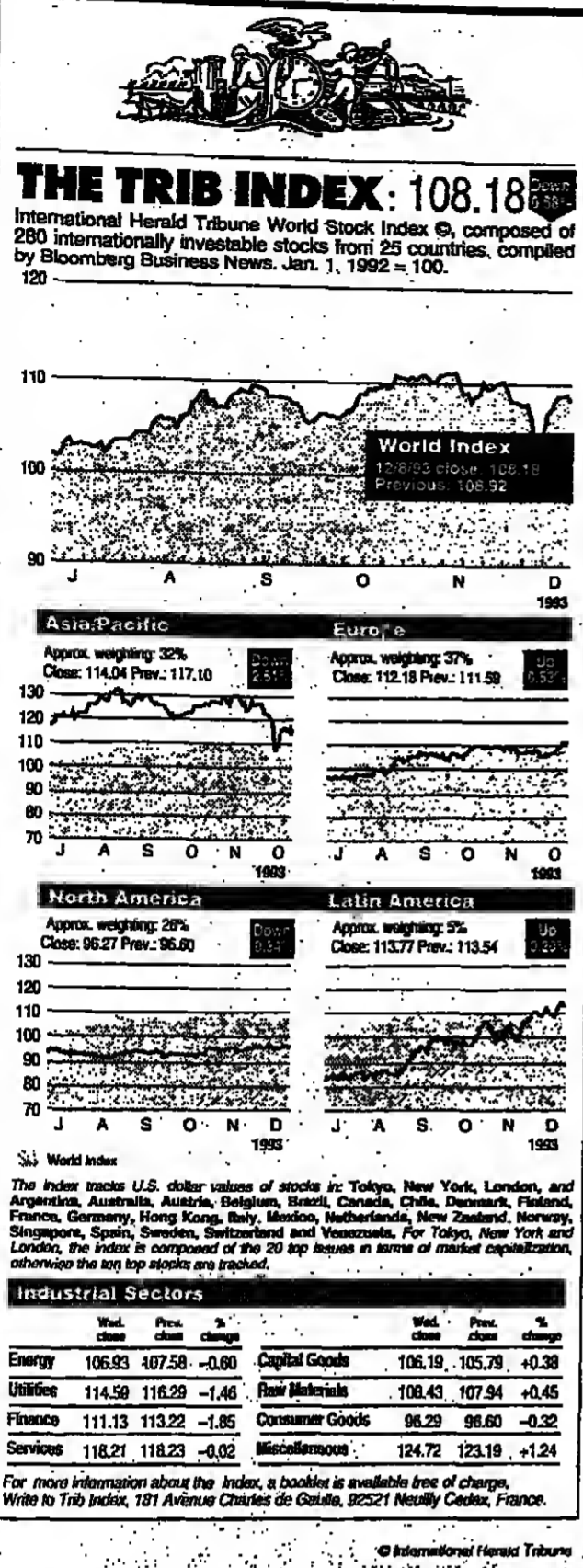
By Alan Truscott
MARRIED couples sometimes have good bridge partnerships, but that is practically never true of formerly married partnerships. Perhaps the only exception to this generalization is the pairing of Gail Greenberg, formerly Gail Moss, and Michael Moss. Playing in November at Greenberg's Home Club 42 West 74th Street, they headed a strong field in the annual Ogust-Schenken event.

On the diagrammed deal Moss held the South cards and opened one no-trump. This purported to show 15-17 high card points, but he judged that his long, strong diamonds were the equivalent of a point. His partner raised to game, and when the heart king was led he could count eight tricks. He needed a ninth in either spades or diamonds.

NORTH
♠ J 10 2
♥ A Q 3
♦ 4
♣ K Q 10 7 5
WEST
♠ K 9 6
♥ K Q J 10 8
♦ Q J 2
♣ J 7
EAST
♠ 7 5 3
♥ 8 7 3
♦ A 8 7 6
♣ 10 9 8
SOUTH (D)
♠ A Q 4
♥ 6 5 4 3
♦ K J 10 9 8
♣ A 3 2
East and West were vulnerable.
The bidding:
South West North East
1 N.T. Pass 3 N.T. East Pass
West led the heart king.

Each time the camera looked his way he was on his feet with clenched fist held high and a pious tear in the combative eye...
There are flashbacks to anti-apartheid meetings in other African countries, many of them engineered by Breytenbach himself, billiard vignettes, diatribes against places, against people. White liberals, his friends included, "starry-eyed recent converts," white hegemony, the ANC, "the new hegemony," blacks, browns, academics of course, other writers — all come under Breytenbach's passionate, furious, ironic eye. His reactions are not predictable, but they are always true, with a wonderful absence of heartfelt horror, never the shocked liberal gasp. "Aren't you ever happy?" asks Akhe Sacka, fellow ex-cide. "Now that we've won, can't you rejoice?"
And here is Jesse Jackson at an early Mandela rally "with shiny hair and shiny moustache and a camel's hair coat and a nose for the television lens like a fly for s—"





AEG Sets Job Cuts, Asset Sale

In Restructuring, Firm Shifts Focus To Daimler Lines

By Brandon Mitchener
International Herald Tribune

FRANKFURT — AEG AG announced plans on Wednesday to sell its profitable appliances division to Electrolux AB of Sweden as part of a sweeping reorganization that will cost the company 12,000 of its 60,000 jobs.

What remains of the troubled AEG, a sprawling electrical engineering and appliances company whose vacuum cleaners and washers are a household name throughout Europe, will better serve the needs of its equally troubled parent, Daimler-Benz AG, according to the unit's chairman, Ernst Georg Stöckl.

"AEG is neither being sold nor cut in pieces," he insisted as hundreds of workers demonstrated in the rain in front of its headquarters.

Nevertheless, AEG already looked different Wednesday. Company stationery distributed in Frankfurt carried the new letterhead surname Daimler-Benz Industrie and depicted a company more focused on technology and transportation, Daimler's main concern.

"We're saying goodbye to consumer goods," Mr. Stöckl said.

In addition to the sale of AEG's appliances unit for an undisclosed sum, Mr. Stöckl said buyers were also being sought for its European lighting, cables and meters businesses. Electrolux already owned 10 percent of the AEG appliances unit.

AEG will also spin off its low-voltage components and propulsion-related automation activities to two joint ventures controlled by General Electric Co. of the United States, Mr. Stöckl said.

At the same time, AEG will take control of all Daimler-Benz industrial activities not related to motor-vehicle and aerospace technology, primarily microelectronics and diesel motors for power generation.

AEG's key industrial automation and rail transportation divisions will be retained but reorganized, with

Metallgesellschaft Appoints Panel To Oversee Chief

By Darrell Delamaide and Ruth Baker
Bloomberg Business News

FRANKFURT — Heinz Schimmelbusch, chief executive of Metallgesellschaft AG, has been put on probation as the German metals and trading company has unexpectedly descended into a loss, an executive with close links to the company said Wednesday.

On Nov. 19, less than a week before the company reported a significant loss for the financial year ended Sept. 30, the supervisory board of Metallgesellschaft formed a four-man committee to supervise Mr. Schimmelbusch's efforts to turn the company around, according to the executive, who spoke on condition of anonymity.

He said the committee was formed last month when the supervisory board renewed Mr. Schimmelbusch's contract as chairman of the company's management board.

Metallgesellschaft, an ag-

Xerox to Shed 10,000 Jobs In Its Largest Cuts Ever

Compiled by Our Staff From Dispatches

STAMFORD, Connecticut — Xerox Corp. said Wednesday it would cut more than 10,000 jobs, or 10 percent of its work force, close plants and take charges totaling \$554 million to streamline operations and settle an antitrust lawsuit.

Xerox stock jumped \$5.50, to \$86.25, in heavy trading on the New York Stock Exchange.

The world's leading seller of high-volume copiers, said the employment cuts and other restructuring actions would result in a fourth-quarter charge of \$700 million.

In addition, the company plan said it planned to take a one-time charge of \$134 million in the fourth quarter to reflect the cost of settling antitrust litigation filed by 25,000 service and repair organizations in Texas over a dispute involving sales of spare parts.

Xerox said the job cuts would be the largest in the company's history. It was the second major work force reduction Xerox has announced in two years. In December 1991, Xerox said it would cut 2,500 jobs.

Chief Executive Officer Paul A. Allaire said the restructuring would intensify the company's focus on improving productivity. "This program also will improve our ability to drive for increased revenue growth," he said.

The job cutbacks provided a pointed reminder of the consequences of the last recession in the United States and the sluggishness of the recovery.

The announcement of the job cutbacks at Xerox came a day after the food and tobacco company RJR Nabisco Inc. announced plans to cut 6,000 jobs, or about 10 percent of its work force.

Other large consumer-products companies, including Philip Morris Cos., Procter & Gamble Co. and

French Franc Back Home in the Range

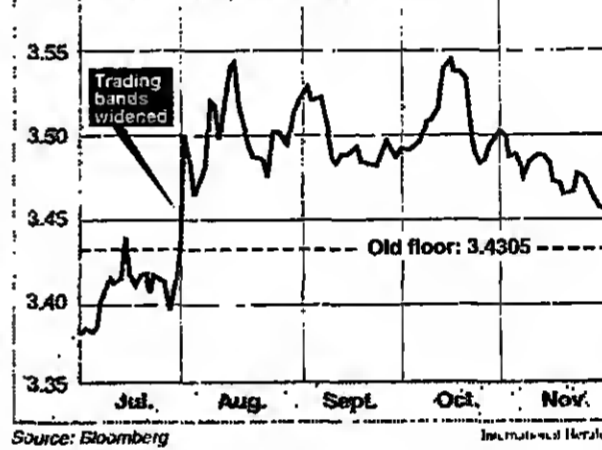
By Carl Gewirtz
International Herald Tribune

PARIS — The so-called hard-core currencies of the European Monetary System were reconstituted Wednesday as the French franc, the focus of last summer's currency crisis, rose to within its pre-crisis range against the Deutsche mark.

The currency thus joins the Belgian franc, which made the same move last week, as well as the Dutch guilder, which never ceased trading within its old limit of 225 percent on either side of a central rate against the mark. The Danish krone also appears to be on its way back to the old range.

The Spanish peseta and the Portuguese escudo are still well outside their old bands, as are the pound and the Italian lira, which have been floating for more than a year.

The Recovering Franc



Stock Prices Gain in Europe

Agence France-Press

LONDON — European stocks staged strong advances Wednesday, as market indexes in London, Paris and Frankfurt rose more than 1 percent.

In London, where the latest auction of government securities, or gilts, was oversubscribed several times, the Financial Times-Stock Exchange 100-share index jumped 40.10 points, to a closing record of 3,277.40.

Paris's CAC-40 index closed at 2,205.31, up 29.19, helped by the strength of the franc. In active trading in Frankfurt, the DAX index gained 32.67 points, to finish at 2,148.13. Analysts cited abundant liquidity and optimistic market forecasts.

INTERNATIONAL MANAGER Can Rewards Be Punishing?

By Jay Mathews
Washington Post Service

NEW YORK — In the early 1960s, two graduate students working independently on the ancient problem of coaxing the best from human beings stumbled across results they did not understand.

Louise Brightwell Miller at the University of Kentucky discovered that 9-year-old boys were less likely to solve a simple identification test when they were paid for right answers than when they worked for free. Sam Glucksberg at New York University found the same result for adults given a household engineering problem.

Among the behaviorists who have dominated much of American psychology and motivational research since World War II, the notion that people would do better without a material incentive was, as Ms. Miller and her adviser said in their report, "an unexpected result, unaccountable for by theory and/or previous empirical evidence."

Thirty years later, the Miller and Glucksberg experiments have become intriguing parts of an intense academic debate over the roots of human motivation and have raised doubts about the methods that American businesses have used for decades to improve employee performance.

In books such as "Punished by Rewards: the Trouble With Gold Stars, Incentive Plans, A's, Praise and Other Bribes," by Alfie Kohn, who cites Ms. Miller and Mr. Glucksberg, and "Second to None: How Our Smartest Companies Put People First" by Charles Garfield, anti-behaviorist psychologists are arguing that money not only does not buy happiness but can, if misapplied, kill a worker's desire to do his or her best.

"When you do something for a reward, you tend to become less interested in what you're doing," said Mr. Kohn, a writer and lecturer on human

Toshiba Sets Investigation In Chip Case

Agence France-Press

TOKYO — Toshiba Corp. said Wednesday it was investigating allegations made in news reports that it had covered up a transfer of microchip technology to East Germany in 1987 that was a possible violation of controls on exports to Communist countries.

The Japanese agency Jiji Press said East German documents had shown that Toshiba and Mitsui & Co. tried to "camouflage" the deal several months after a separate incident in which a Toshiba unit was found to be illegally exporting sensitive equipment used in submarines to the Soviet Union.

The report from Berlin said that as that investigation widened, Toshiba decided to tell the East German concern, Heim Electric Export-Import, to halt production of memory chips at a plant that was already operating in Erfurt.

According to Jiji, Toshiba ordered Heim Electric to destroy all evidence of the project and paid back 90 percent to 95 percent of the \$25 million it had received from the East German enterprise under a "gentlemen's agreement" reached July 4, 1986.

A Toshiba spokesman said Wednesday it was not certain when its investigation would be completed, saying it was difficult because many of the employees involved had since retired.

CONSISTENCY.

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CURRENCY & INTEREST RATES

Dec. 8

Cross Rates	Dec. 8	Eurocurrency Deposits	Dec. 8
Australian \$	1.95	Dollar	3 1/2-3%
Brazilian cruzeiro	264.00	D-Mark	4 1/2-5%
British pound	1.78	Swiss franc	4 1/2-5%
Canadian dollar	1.40	Japanese yen	5 1/2-6%
French franc	1.66	Spanish peseta	160-170
German mark	1.00	Portuguese escudo	200-210
Italian lira	1.36	US dollar	100-110
Japanese yen	160	Other currencies	See table

Key Money Rates

Country	Rate
US Treasury bill	5.5%
3-month Treasury bill	5.5%
6-month Treasury bill	5.5%
1-year Treasury bill	5.5%
3-month Treasury note	5.5%
6-month Treasury note	5.5%
1-year Treasury note	5.5%
3-month Treasury bond	5.5%
6-month Treasury bond	5.5%
1-year Treasury bond	5.5%

Forward Rates

Country	30-day	60-day	90-day
US dollar	1.00	1.00	1.00
Japanese yen	160	160	160
British pound	1.78	1.78	1.78
French franc	1.66	1.66	1.66
German mark	1.00	1.00	1.00
Italian lira	1.36	1.36	1.36
Spanish peseta	200	200	200
Portuguese escudo	200	200	200

Economic Outlook / Structural Stress

Free Markets in Collision With the Social Safety Net

The last five years have seen the demise of the communist state in Eastern Europe. Will the next five years see a comparable decline in Western Europe's cherished concept of democratic socialism?

OECD statistics, industrial production in Europe is at virtually the same level as in 1989; yet wages have risen 7 percent to 8 percent a year. Per-unit costs of output in Germany are 35 percent above Japan's, and 50 percent above those in the United States.

Real wages increased 70 percent in 20 years

Japan and 11 percent in the United States. Many experts are now saying that this is not the right approach—the right structure, they call it—for a prosperous Europe in the 21st century.

What can be done? Comparable conditions in the United States in the 1970s and '80s led to a painful restructuring, with many layoffs. The U.S. work force, however, proved its flexibility, creating millions of new jobs, primarily in small and medium-sized companies, many in service industries.

Growth in Asia, according to most estimates, is expected to be 4 percent to 5 percent a year in the immediate future. In the United States, it is predicted to be 3 percent, and in the European Community, not much more than 2 percent, if that.

Europeans who believe they have lifetime jobs, particularly in the public sector, are often unwilling or unable to change occupations. Few are as willing as Americans to move for a job. Those who might like to start a new business are often discouraged by red tape.

Unless and until Europe's growth catches up, unemployment will remain at or above 10 percent, Mr. Hufbauer predicts. But many experts believe unemployment may have to increase—or wages and social benefits will have to fall—before Europe can become productive enough to increase growth.

Germany is typical. A survey of thousands of German businesses found that one-third wanted to move all or part of their operations abroad in the next three years, usually to Eastern Europe. Along with high labor costs, they cited government regulations and paperwork required for plant expansion and new research programs.

Things will pick up somewhat in Europe as the recession ends, just as the U.S. economy is gradually turning upward. But Europe's recovery may be longer and not as complete because of the structural problems: the fundamental ways in which Europeans work and live, and the way their governments and their big companies are run.

Not that European captains of industry are models for the rest of the world. A good example of how European management lost its way was in high-definition television. Europe was going to set the industry standard, but now has all but given up on the idea of competing with the United States and Japan.

Privatization / Instrument for Growth

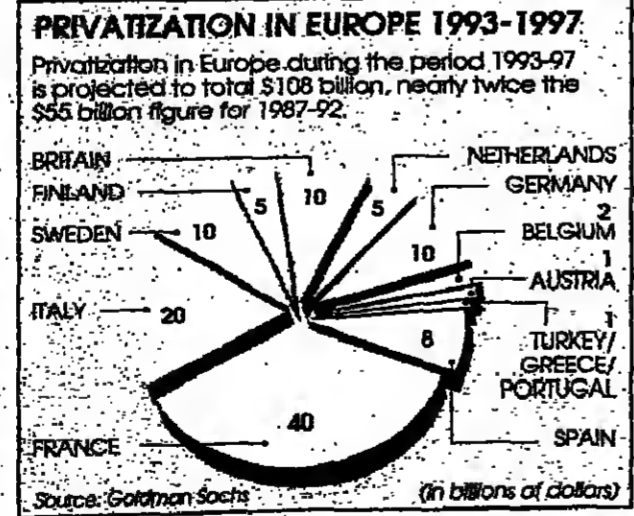
To Focus Industry, Put It on the Block

Governments across Europe are moving ahead with privatization, despite fears of even more unemployment caused by the downsizing that usually follows the sales of public-sector behemoths.

French minister for the economy and finance. "Our conviction is governed by realism and pragmatism."

Shares of privatized companies have outperformed the market in France—Alcatel Alsthom's shares doubled in the four years after privatization as the electrical and telephone equipment company was free to pursue foreign joint ventures and raise money.

resources are allocated appropriately, employment is bound to benefit. The British economy may soon confirm or refute this thesis.



Salvatore Zecchini, assistant secretary-general of OECD, said recently: "It is not a casual coincidence of history if nowadays privatization stands high on the political and economic agenda of both several OECD countries and all the post-communist countries. It is rather the result of a fundamental conclusion drawn by governments in both areas, namely that privatization is a major instrument to realize important welfare gains for the country because it revives economic initiative and promotes innovation and high productivity, all factors that lead to sustained growth."

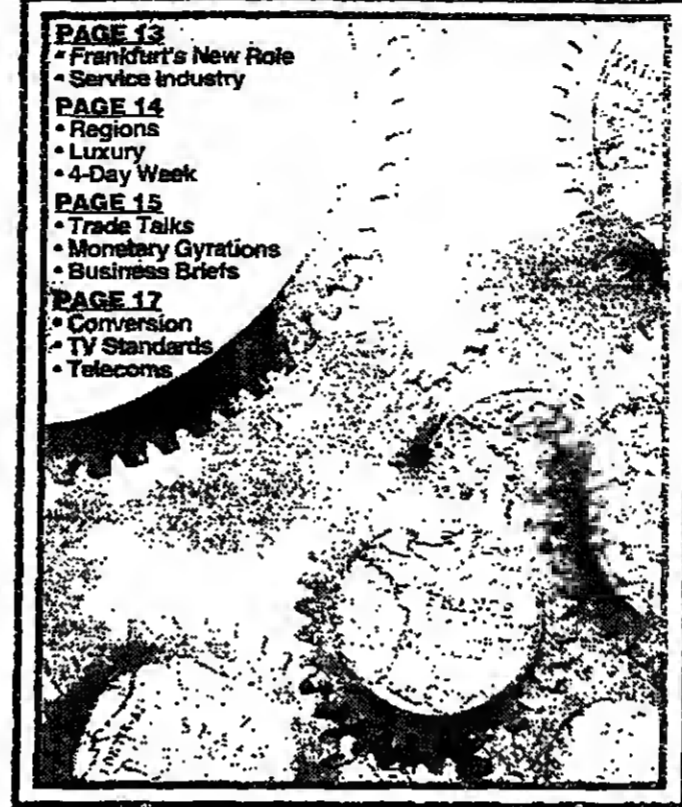
British Telecom's privatization was a big success, as has been the partial privatization of Telefonica in Spain. One Madrid analyst explains: "They have cut the rates for international calls, although raising local ones. Waiting lists have been reduced, and the technology is better all around."

British Airways is the best example. It eliminated 20,000 jobs in the run-up to privatization in 1987 and has since put them back on. It is reporting record profits. As one London analyst states: "Slimming takes place when political considerations are removed, but if

Job security will be based on performance in the future," says Bessel Kok of soon-to-be-privatized Belgacom. Wim Dik, chairman and chief executive officer of KPN, the Dutch telecommunications company, now awaiting full privatization in 1994, says: "Since corporatization, the change of status to joint-stock company, KPN is a much nicer place—less complaining and navel-gazing; more energy and action."

A change of equity is not a magic solution to the problems of a sluggish state company. State companies in some cases have been better-managed than those in the private sector. Privatization, above all, brings a change of mentality, with a new emphasis on productivity, customer service and partnerships. In addition, it stimulates stock markets in no uncertain way.

European Economic Review



Reframing Europe

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • Steven Bartlett is a Paris-based free-lance writer specializing in information technology. • Heidi Ellison is a free-lance writer based in Paris. • Peter Gwynne is a Brussels-based writer who specializes in science and technology. • Timothy Harper, a writer and lawyer, is the author of "Cracking the New European Markets," published by John Wiley & Sons, New York. • Axel Krause is corporate editor of the International Herald Tribune. • Pamela Ann Smith is a London-based financial writer. • Terry Swartzberg is a Munich-based business writer. • Alan Tiller is the author of "Guide to Business Travel Europe" and "The Eyewitness Guide to Paris."

Interview / Peter Jankowitsch

Weighing Variables Of Europe's Future

Peter Jankowitsch, formerly Austria's minister of foreign affairs and state minister for European integration, is currently ambassador to the Organization for Economic Cooperation and Development in Paris. He discussed the outlook for Europe in an interview with Axel Krause, corporate editor of the International Herald Tribune. Following are excerpts from the interview:

With Slovenia alone, we are doing practically as much business as we formerly did with the whole of Yugoslavia. So, the good news is that the East Europeans are doing better, and this will have positive influences on Western Europe.

What is your scenario for economic performance in Western Europe over the coming year?

My scenario is neither optimistic nor pessimistic. Why? Because the big growth machines, like Germany and, to some extent, Italy are still in a state of trouble.

How do you read North America's performance in 1994?

I am not sure about the Baltics undergoing any early recovery. But there are signs that the Scandinavian economies, which were very down, might do a little better. Perhaps a combination of growth in Eastern

But aren't there signs, or claims, of recovery in Britain and France?

In some of the big economies, including Britain and France, yes. But for the moment, it is marginal, and the big question remains Germany. More important and to an increasing degree, we must watch what is happening in Eastern Europe, which for the last decade was not really a factor. Hungary, Poland and their neighbors in the region are beginning to shape themselves economically, and today they count.



Peter Jankowitsch, Austrian ambassador to the OECD.

Not Poland. And that's good, because it's the biggest economy, Hungary and [the former] Czechoslovakia are still in recession or experiencing zero growth, but for next year, the outlook is quite good, with demand for goods and services growing.

Europe and some upswing in nearby, smaller economies—Austria will do quite well again next year—might have an aggregate effect. Taking into account what is also happening in Britain and France, the outlook, basically, is not bad.

How is Austria's trade with its Eastern neighbors being affected?

Without exaggerating, our export performance is just fantastic at the moment.

Is the OECD integrating East European economic performance into its regular outlook forecasts on Europe?

Not yet. But they should, because these countries are having a growing effect on the overall economic

Continued on page 12

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ADVERTISING SECTION

Interview / Peter Jankowitsch

Weighing Variables of Europe's Future

Continued from page 11

performance of Europe. They are also becoming highly competitive with Mediterranean countries - Spain, Portugal, Greece - and these countries are worried. Because for some of the services they perform, like low-cost, low-wage transformation, East and Central European countries are extracting away investments. For countries like Austria, Germany and Italy, it's now much more practical to use joint ventures in Slovenia, or Hungary - maybe someday in Romania.

Turning to the GATT negotiations, and assuming there is agreement by Dec. 15, what will be its impact on Europe's short-term economic outlook?

One short-term effect will be a certain growth in business confidence. It means that people can count on a set of rules, new opportunities that will be opened by the agreements, which will, in turn, influence investment decisions positively. A GATT agreement would be good for stock markets.

And if there is no meaningful agreement? It will increase uncertainty. Then there would be the question: What comes instead of GATT? Chaos? New, increased tensions?

Looking at the European Community's single-market program, what would you say it contributed to Europe's position in the world, compared to the Maastricht treaty and its establishment of broad goals for political and monetary union?

While no one talks about it, the single market had a far more positive effect than Maastricht, which created a lot of confusion, controversy and did not really add to the image of the Community. The single market had a tremendous effect on business confidence. Overall, it played a key role in making Europe more attractive and united regarding economics and trade.

Today, everybody is talking about a revival of Euro-sclerosis and Euro-pessimism. What went wrong?

This talk comes back every 10 years, like a recurrent disease. But it is, in fact, very difficult to say what went wrong, because the beginning of 1992 was a time of tremendous enthusiasm and confidence. Maybe there was too much euphoria at the beginning, and too much pessimism at the end. Then Maastricht also overtaxed the political wills in EC member countries. Maybe the basic mistake was that Maastricht, the product of brilliant minds, did not take into account completely what people and business leaders wanted.

So has Europe reached the limits of integration?

Maastricht has clearly shown that there are certain limits - regarding, for example, a single currency, a feeling of European identity. An overdose of integration has also triggered the trend toward protectionism. Beyond that, there is enormous controversy between supranational and national elements in the Community, between national parliaments and the European Parliament. It leads to the conclusion that we need to rethink balancing arrangements between supranational and national authorities.

What is your reaction to those who argue that what is shaping Europe is development of regions?

This is a very tangible thing. The best example is the Northern League in Italy. It tells us that the classical, European nation-state has not been able to offset the effects of supranationalism. Here I mean decisions taken by Brussels. People still worry about their rights. People want to decide what happens around them, they want to be consulted. Regionalism is a response, and will certainly grow.

Where do you see regional strength?

In Italy, Spain and Austria, where there is a very strong regional feeling between Vienna, Trieste, Lubiana - and the Danube region, with the two poles being Vienna and Budapest. There is also Alpine regionalism, which includes the Grison, Bavaria, the Tyrol. Trans-border investments are having an impact. We are now completing the Vienna-Budapest highway, enabling one to drive the 235 kilometers in two to three hours, creating a very important economic axis.

Turning to Austria's pending application for EC membership, what are the most important conditions being pursued by your government?

In the very important sector of agriculture, we have to find some kind of transition agreement, because the level of agricultural prices in Austria is so high that our farmers would lose considerable income if they were immediately thrown into the EC market. It is not an opt-out arrangement, but one of establishing an appropriate transition period. In addition, we feel certain parts of Austria qualify for structural financial aid from Brussels.

Where?

Burgenland, the easternmost province of Austria, formerly in the Russian zone of occupation - it is fairly underdeveloped. Norway's arctic regions can also be considered worthy of some structural help.

What is your reaction to the March 1994 deadline for completing the negotiations for EC membership for Austria, Sweden, Norway and Finland?

It is a little tight. Yet, there can be no treaty unless the European Parliament agrees. On June 5, 1994, there will be elections to the parliament. So March is the very last moment to look at this [membership] treaty before then. Also, the new incoming parliament will look quite different politically. It's safer to deal with the present parliament.

Isn't the real test going to come afterward, with referenda in each of the four countries?

Yes, and everything will depend on the conditions the Community can offer, and whether they prove attractive

to voters. Only one country has a clear majority in favor - Finland. The most negative is Norway - two-thirds are opposed. Sweden also has a very clear majority against membership. In Austria, only a slim majority is in favor. The tough problem is the large numbers of undecided. Depending on when the negotiations are completed, the voting could come in the summer of 1994, at the earliest.

How do you see East European countries fitting into the EC?

I am hesitant to talk about it as long as we are not a member, but my personal feeling is that the EC is probably the last organization to which they will be admitted.

Why? Because the Community will need five or six years to digest the new members we have been discussing, and these countries are already relatively well-adapted. So the hope is rather slim.

What do you recommend? They should join EFTA [the Euro-

pean Free Trade Association]. EFTA has always been a bridge to the EC. By being in EFTA, outsiders can deal with Brussels on a multilateral basis, while learning the tricks of free trade and gaining more respectability.

How can Europe compete more effectively in the world economy?

We are not going to make it by imitating East Asia. We need to develop a new, imaginative division of labor through more flexible working hours - for some companies it might be a four-day week. We need to place a much greater emphasis on quality.

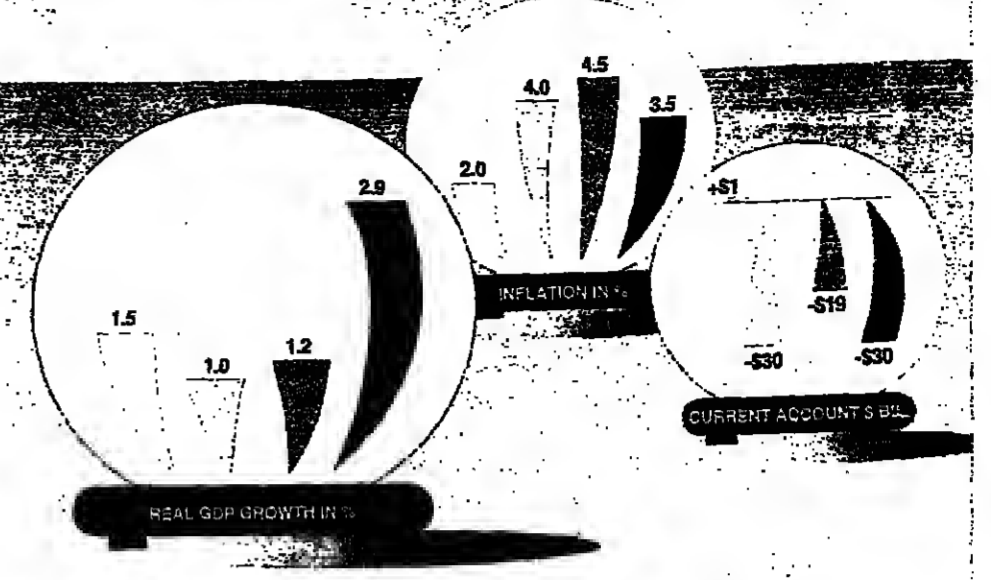
What is your reaction to the recent EC proposals to boost its economic growth by public spending, and fiscal and other stimulative measures?

I am not sure the Community is the best place to do this. The OECD, comprising 24 countries, might be better placed for such initiatives, coordinated with the EC, of course. A good time for a "Big Bang" initiative would be at the time of the OECD ministerial meeting in Paris next June 7 and 8.

ECONOMIC OUTLOOK FOR 1994

ESTIMATED REAL GDP GROWTH NEXT YEAR FOR THE EC'S MAJOR ECONOMIES RANGES BETWEEN 1 PERCENT AND 3 PERCENT, COMPARED TO THE OECD'S PREDICTION OF 1.8 PERCENT FOR EUROPE OVERALL.

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European Monetary Institute / Home on the Main

Frankfurt's New Profile as EC Financial Center

The choice of Frankfurt as the site of the new European Monetary Institute (EMI) and of its successor, the European Central Bank, is focusing worldwide attention on a city that is already well-known for its thriving financial community. More foreign banks are expected to locate in Frankfurt as a result, supplement-

located in Frankfurt, the choice, ha added, reaffirmed the city's reputation as a focal point for the fight against inflation as well as a symbol of stable currencies.

Located on the river Main in the heart of the European Community, Frankfurt is already the home of more than 400 financial institutions. Nearly two-thirds of these, including such money-center giants as Citibank of the United States, are from other countries in Europe, North America, Asia and Latin America.

Germany's own leading banks - including the Deutsche Bank, Dresdner Bank, BIG Bank and mortgage institutions such as the Deutsche Hypothekbank Frankfurt, the Frankfurter Hypothekbank and Allgemeine Hypothekbank - have their headquarters in the city.

This year, the Frankfurt Stock Exchange; the Deutsche Terminboerse, the futures and options exchange; and the Deutscher Kassenverein, the financial settlements organi-

zation, have joined forces to establish the Deutsche Boerse, or German Stock Exchange, in the city. By creating a financial trading complex under one roof that will be one of the most modern in the world, Frankfurt's position as a financial center will be further enhanced.

Computerized share dealing for leading equity and fixed interest issues as well as screen-based trading for futures and options are now possible. Even before the move, the Frankfurt Stock Exchange alone accounted for almost 70 percent of total securities turnover in Germany.

As a result, banking and insurance today account for almost 20 percent of Frankfurt's gross domestic product and about 10 percent of its work force. Still others are employed in a host of service industries - law, accounting and computer firms, as well as journalism - related to the financial sector.

Germany's own banks are experiencing one of their most profitable years yet. Figures for their 10-month

results, due out shortly, are expected to show windfall profits from the huge rise in trading this year on German stock and bond markets. In the meantime, commission income has been rising, while lending to East Germany and to other parts of Eastern Europe has soared.

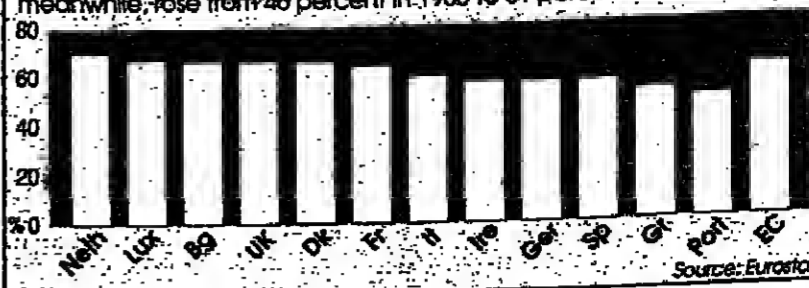
While loan-loss provisions, made necessary by the continued recession at home, are likely to eat into some of these gains by year end, the expansion of cross-border operations to win a larger market share in the European Community is expected to offset some of the losses.

Deutsche Bank, the country's largest quoted bank and a mainstay of the Frankfurt financial community, is building up its investment banking and expanding its government securities trading activities in France, for example, while Dresdner Bank, the second-largest, recently completed a cooperation agreement with the French giant, Banque Nationale de Paris.

Patricia Ann Smith

EMPLOYMENT IN THE EC SERVICE SECTOR

As of end-1991, 60.8 percent of those employed in the EC worked in the services sector, a 10 percent increase over 1975. Productivity, meanwhile, rose from 46 percent in 1988 to 61 percent in 1991.



Services / Gaining Ground

In Service Sector, More Doesn't Yet Mean Cheaper

The European Community's service sector has finally achieved a size and sophistication commensurate with its territory. The move into services has been caused by underlying economic trends and abet-

ted by the political decision to create a single European market. Yet the market's creation has not, by any means, yet lowered the prices of these services.

By any applicable criteria - employment level, total output or productivity - the EC's service sector has caught up. As of the end of 1991, according to Eurostat, 60.8 percent of all people employed in the European Community worked in the tertiary sector, placing the Community between the United States, at 68 percent, and Japan, at 56 percent.

This figure was 10 percent higher than the EC's 1975 level. Even more striking was the rise in total output, from 46 percent in 1988 to 61 percent in 1991. According to trade analysts, this jump is the "footprint" of the Single European Act's market integration directives.

This combination of a general, long-term rise in service-sector employment and a sharp, quick-paced increase in its turnover points to another positive effect of the single market: higher rates of individual productivity.

Today, according to a report released in early autumn by the EC's directorate for economic affairs and finances, the EC's service sector is more productive - in terms of value added per individual employee - than its industrial one. This reverses both the EC's pre-1988 track record and the current ones of the United States and Japan.

According to the Institut der Deutschen Wirtschaft, the Cologne-based economic think tank, the current figures for the service sector are, if anything, sharply understated. As the institute points out in a recent report, many large European companies have an increasingly important service component in their mix of activities. Examples of these "service providers masquerading as manufacturers" are numerous in the information technology, electronics and telecommunications sectors. These service activities are often the guaranties of corporate profitability and overall rates of employment. In Germany, the institute estimates, this misclassification has undercounted the country's service sector by a good 10 percent.

Nowadays, even nominally standard products are often more services than goods. AGFA-Geveert AG, the Leverkusen-based producer of printing and graphic imaging equipment and supplies, recently launched its AGFA Chromapress computer-based printing system. This product comes with such additional services as training, maintenance contracts and "long-term support." Many of its innovative "service" features - integrated post-printing delivery among them - are attributable to the system's extensive built-in software.

Signs of the service sector's expansion are to be seen in all categories: retailing and repair, hotels and restaurants, transport, finance, communication and services for corporations. Helmut Fricke, chairman of the board at Germany's DBPT Telekom telecommunications authority, puts the current size of Europe's market for telecommunications at \$145 billion, up 23 percent over the last three years. Today, services account for 71 percent of that. By 1995, services are predicted to amount to 73 percent of a \$175 billion telecom market. Mr. Fricke attributes this ongoing growth to several factors, including deregulation, international standard-setting and the forging of alliances and operating groups among national suppliers.

This was projected in the Cecchini report, which originally set forth the benefits of instituting the single market. One key prediction in the report has not materialized, however. Increased competition and access to previously closed national markets have not yet lowered the price of services - in fact, quite the opposite, according to the EC's committee of central bank presidents.

In 1992, the average price of industrial goods rose 3.2 percent in the EC, and that of services 6.6 percent, thus exacerbating a decade-long gap. While calling the service sector "a prime inflationary factor," the committee sees one sign of hope: "The liberalization of the EC's domestic market should soon start bringing more stability to prices."

Anton Rander, EC expert at Westdeutsche Landesbank Girozentrale (WestLB), explains the reason for the lag between directive enactment and the creation of an open market. "In such important areas as the elimination of local preference and excess regulations in the bidding for public-sector contracts, changes in the legal status have not yet led to new groups' securing orders - and for a simple reason. It takes time for national service suppliers to get to know foreign markets - and here the EC's contract information system is helping - and it takes time for them to crack what are often closed circles."

Terry Swartzberg

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Regions / The Building Blocks

Investment in Regions Seeks Balance

A Barcelona student heads for the center created by his own university within the Lyon 2 campus in France. A St. Etienne businessman checks the address of the Rhône-

1994-99 funding: \$160 billion

Alps region's office in Stuttgart. Textile manufacturers from Italy and Spain discuss with their counterparts common lobbying efforts in Brussels on cheap Asian textiles and how to set up joint export ventures.

Lyon was the focal point for these meetings last month, but similar gatherings are held regularly in

other major European cities within a framework of new regional end city contracts helped by the European Community.

A Europe of Regions - some call it the practical construction of the European Community - has been advancing, both before and after the Maastricht treaty debate. Another step forward will be the January launching of a 189-member Committee of the Regions - one member for each region - a consultative body established by the treaty.

Susanna Tiemann, the Cologne lawyer who heads the EC's Economic and Social Committee, another Brussels-based consultative body, says she hopes the new regional committee, formed of local politicians

named by the 12 EC governments, will speak for the "small units" in Europe and thus influence EC Commission proposals.

Cooperation networks may be growing fast, but most EC regional development grants remain allocated for major infrastructure projects, such as highways and bridges in Greece.

Extremely large sums, second only to agricultural subsidies, are dispersed by Brussels to bring the poorest and furthest-flung regions economically into line with their richer cousins and so create a more harmonious Europe.

Bruce Millan, EC commissioner for regions and responsible for allocating funds, which are two-and-a-half times higher than during the previous six-year period, has called for an updated "Europe 2000" policy now that the new German states are among the underprivileged regions. The demise of communism in Eastern Europe has given greater Europe what he calls "an east-west emphasis differing considerably from the predominant north-south bias of Western Europe after the last World War."

Mr. Millan notes that investment flows toward the Iberian peninsula, Scotland and Ireland, with their low labor costs, are slowing. "The more mobile investments, especially in services, are again concentrating in the more accessible central regions of the Community."

In other words, harmonization of Europe's regions is a greater-than-ever necessity. Around two-thirds of regional funds, which will total more than \$160 billion over the next six years, will be spent on transport, public works, industry and tourist projects. This will go to regions in Portugal, Greece, Ireland and Spain, as well

as areas in richer nations that can prove they are "Objective 1" regions, defined as having an output that is 75 percent of the EC average.

The "poor four" find themselves ranked with Britain's Merseyside, the Scottish Highlands and Islands, Belgium's Heinauld border region, the corresponding region across the French border, Abruzzi in Italy, the Netherlands' Flevoland, the new German states, Northern Ireland and Corsica.

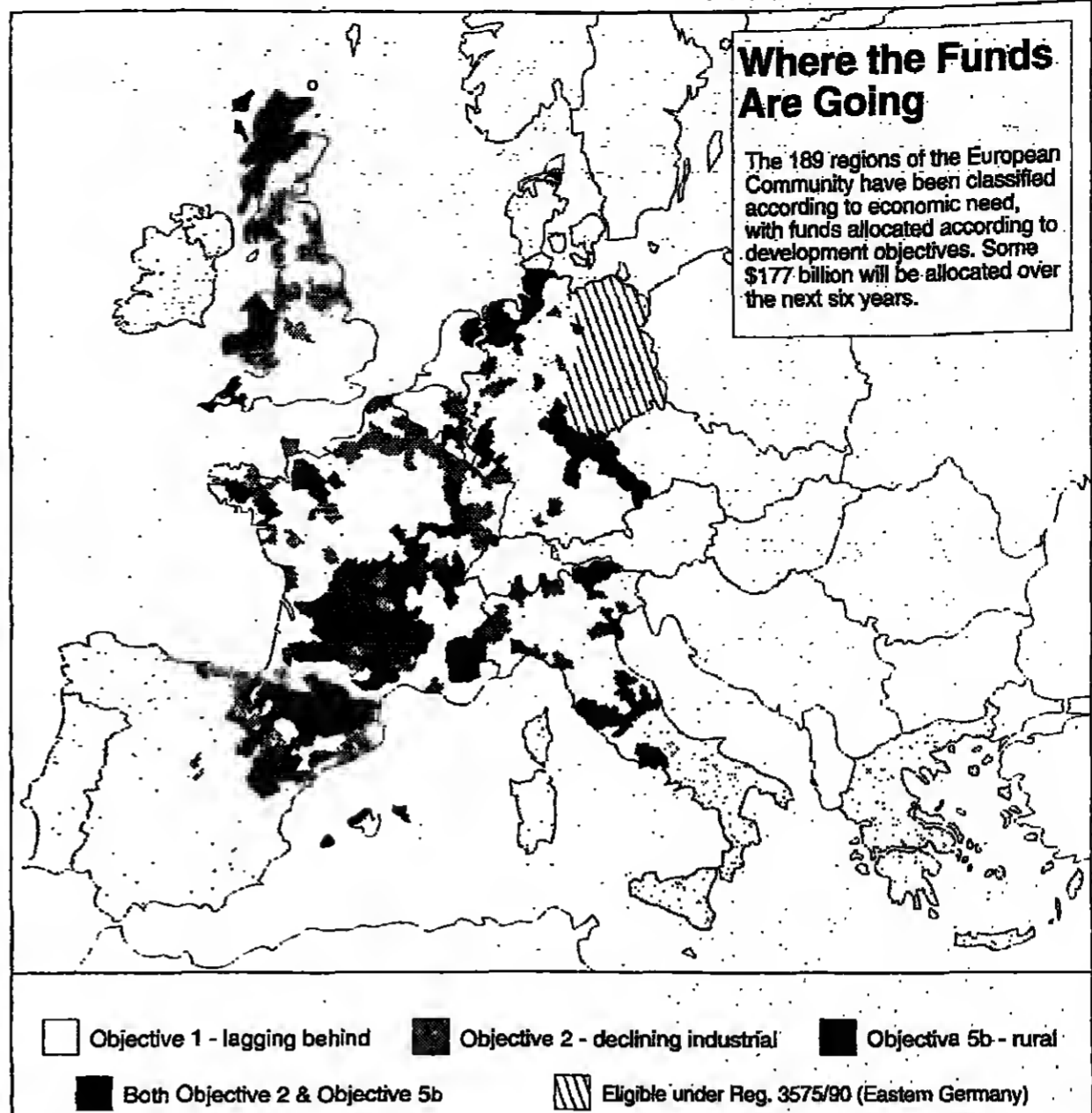
Greece, Ireland, Portugal and Spain will also share an additional \$17 billion from a seven-year "cohesion" fund to bolster their economies before a monetary union.

The high priority accorded to improved transport will mean money for the Spanish high-speed rail line between Madrid, Barcelona and the French border, as well as Portuguese and Irish roads.

Water-quality programs in Portugal and Spain will also benefit from EC largesse. In Ireland, which receives the most money per person under the cohesion scheme, one project to receive EC aid will be a new tourist resort outside Dublin. Andalusia, the Algarve and the Aegean islands have benefited from tourist aid in the past.

Less-deserving "Objective 2" regions of high unemployment and industrial decline include a number of regions in Britain, France and Germany. Some \$50 billion is on offer for retraining workers and the restructuring of industry, important inducements for foreign investment.

The growing networking between regions, cities and towns is also widely funded - more than a billion dollars for so-called INTERREG projects - and often accompanies existing cross-border cooperation. They progress



despite competition for foreign investment.

In another sphere, powerful regions such as Rhône-Alpes, Lombardy, Catalonia and Baden-Württemberg (the last named stunned by Mercedes' decision to build its latest plant in Alabama)

have not awaited a green light from Brussels before creating frameworks for their industries, businesses and research institutes to work

together on specific projects. Likewise, chambers of commerce in Birmingham, Turin, Frankfurt, Milan and Lyon work closely together

and have extended their cooperation to Lodz, Poland.

Regions stand to gain much from continuing high-speed improvements, future Alpine and Pyrenees train tunnels and a future \$150 billion European high-speed train network, all projects in

which the EC is involved.

INTERREG and cooperation network programs cover a very wide range, from environmental and telecommunications collaboration between Denmark and Germany

to regional roads; tourism, employment and cross-border technology exchanges between smaller companies in the Rhine-Waal region of the German-Dutch border. Joint economic steps, notably tourism and environmental protection, are under way in the mountainous Franco-Italian border region.

Elsewhere, an Alsace-Baden-Württemberg program takes in non-EC neighbor Basel, Switzerland, and a major Spanish-Portuguese program includes a \$100 million road between the Algarve and Andalusia.

A.T.



Brussels is seeking to give empowerment to Europe's "small units."

Luxury Goods / Opening New Markets

Purveyors of Luxury Are Looking to Asia

The boom times of the 1980s are over for Europe's luxury goods industry, with champagne and cognac sales falling as the European recession and the Japanese economic crisis continue. On the bright side are the strong performances of perfume and beauty products, and the large potential of other Asian markets, including China. In the meantime, companies are restructuring and tightening their belts.

The Comité Colbert, an organization grouping 73 French luxury-goods companies, reported a turnover of 30 billion francs (\$5.1 billion) for its members in 1992, representing a 2.45 percent increase over 1991. Exports increased by 4.35 percent. Exports to Japan account for slightly more than half of members' Asia-Pacific business, and together with Hong Kong and Singapore, 75 percent worldwide, the Asia-Pacific region accounts for 25.8 percent, as compared with only 12.1 percent for the United States, 28.7 percent for France and 25.1 percent for the rest of Europe. Japan alone accounted for 13.2 percent of sales.

China could be the next frontier

The problem for luxury goods companies however, will be holding on to this lucrative market. The traditional Asian markets for luxury goods are losing their bloom as Japanese companies cut back on spending and Japanese consumers reduce their consumption of expensive, top-name cognac and champagne. And Hong Kong shoppers turn away from luxury brands in favor of cheaper, lesser-

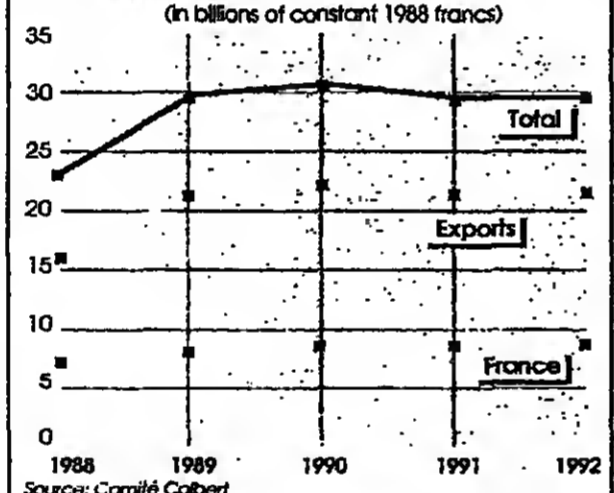
known names and designer knock-offs. In the first half of 1993, the net income of LVMH Moët Hennessy Louis Vuitton SA, which accounts for two-thirds of the French luxury-goods industry's sales, dropped 28 percent, to 935 million francs, even though sales were up 4 percent. The company's cognac sales to Japan, which accounts for one-fifth of its cognac business, dropped by 17 percent in 1992.

As a consequence, luxury goods companies are taking a closer look at other growing Asian markets, such as Taiwan, Singapore, Thailand, South Korea and especially China, with its population of over 1 billion. As one observer points out, even if only 5 percent of the population buys, that still represents a larger market than many in Europe. European retailers are being cautious, however, about setting up establishments in China because of its lack of infrastructure, political uncertainty and potential for counterfeiting. Nevertheless, Cartier opened a boutique in Shanghai in October; Louis Vuitton, Eime-negildo Zegna and Celine have shops in Beijing; and Italian fashion designer Laura Biagiotti recently signed a contract with China's overseas investment company, CICO, to design clothing for the domestic market. Au Printemps, the largest department-store chain in France, announced in October that it would open a six-story store in Shanghai in 1994.

In reaction to the market slump, luxury-goods companies are also restructuring. In November, LVMH announced the sell-off of its RoC cosmetics unit to Johnson & Johnson at a reported price of \$169.2 million. At the same time, the

ACCUSTOMED TO ITS STYLE

The Comité Colbert, the French association of 73 luxury-goods makers, shows turnover stabilizing after peaking in 1990.



company announced a restructuring of its champagne business, naming Yves Bernard, formerly president of the Moët & Chandon, as head of all LVMH's champagne business. The company is considering the resale of operating rights for Henriot champagne to Joseph Henriot, president of Veuve Clicquot, another of the conglomerate's subsidiaries.

LVMH's champagne and cognac businesses were hit hard by declining consumption, a market glut of champagne, anti-alcohol campaigns and competition from lower-priced brands. In May, Moët & Chandon announced that it would lay off 230 employees over 18 months because of declining profit margins and increasing costs.

Other upscale liquor purveyors are also suffering from declining sales. Pernod Ricard's sales fell 2.4 percent in the year to March 31, 1993, and Remy-Cointreau's dropped 9.9 percent in the same period. The Louis Vuitton leather-goods division of LVMH, however, showed an increase in operating profits in the first half of this year, and perfume sales are also up. LVMH recently acquired the profit-making fashion

Work Week / When Less Is More

The Four-Day Week: Solution or Sop?

Wolfsburg is at the door. European politicians and industrial leaders are waiting for early reports next year from Wolfsburg, the home of Volkswagen's corporate headquarters, on the company's experiment with the four-day work week.

Across Europe, there is increasing sentiment for reduced working hours - mainly in the form of the four-day week - as a means of saving old jobs and creating new ones. But there are plenty of critics, and both



Jürgen Peters of IG Metall (left) and VW's Jochen Schurm announce the reduced work week of 28.8 hours in four days.

Concept still to be proved

sides are eager to find out whether the shorter week works for VW.

Sales next year for Volkswagen, Europe's largest single automaker, are expected to be about 1.4 million, the same as this year, but down 200,000 from 1992. To stop losing money, the company said it would have to lay off 30,000 workers unless drastic steps were taken. Late last month, the company and the German autoworkers' union reached a tentative agreement to take drastic steps. As of Jan. 1, more than 100,000 VW workers at six different plants will shift from a five-day, 39-hour work week to a four-day, 28.8-hour week. Their pay will drop by 10 percent, but the cut will come primarily in the form of a reduced year-end bonus. VW says it will save \$2 billion in wages and benefits over the next two years.

The new plan, nonetheless, will not be sufficient to guarantee the 30,000 endangered jobs, the company announced several days later, citing production cuts in its plants in Germany. The experiment is scheduled to last at least through 1995, but Volkswagen says

it will continue to spread work shifts over five days, so that the longer workweek can be restored quickly if there is a demand for more cars.

Most polled in Germany, where a 37-hour week with six weeks' paid vacation is standard, seem to like the idea. A solid majority in national surveys supports the notion of a shorter workweek and less pay in exchange for job security.

The idea of a shorter workweek, at least until the recession is over but maybe forever, is also gaining popularity in other European countries, including France, Belgium and Spain.

In Italy, the slogan is: "Work less, and everyone works."

It is in France, however, that the four-day week is becoming a national cause. Pierre Laroutrou, a management consultant in Paris who has become known as "Laroutrou le Gourou," is leading the campaign for a four-day, 33-hour week to replace the current five-day, 39-hour week. Claiming that shorter hours will create millions of new jobs without

hurting productivity or the competitiveness of French products on world markets, he is calling for a national referendum to make the four-day week national law by 1996.

Michel Rocard, newly elected leader of France's opposition Socialist Party, calls the shorter week "an urgent, worthy and responsible objective." He says: "People want to get more out of their lives than having a steady job, even if they have to sacrifice a little income. An extra day would improve family relations and encourage people to use their time to learn new subjects and skills. That, in turn, would help the economy because people would be able to adjust to rapid technological change rather than remain stuck in the past."

The Conservative prime minister, Edouard Balladur, is not as keen. More regulations on employers hardly fits in with his philosophy of promoting private business and labor flexibility.

Theory is one thing, of course, and practice another. In Saint-Cosme-en-Vepris, a town of 2,000 dominated by the local Simmonds auto components factory, the plant's 600 employees were recently asked to vote on the company's future employment policies. Either 150 jobs would be cut and hours and wages would remain the same, the company said, or the wages and hours could be trimmed and only 110 jobs lost. The workers voted to keep their pay, even if that meant 40 more co-workers would be laid off.

In Wolfsburg and in other German towns with VW

plants, workers so far seem satisfied with the four-day week, despite the fears of some union leaders that the shorter week might be used to force workers to produce as much as they did in five days.

Many economists, on the other hand, fear that a four-day week will only add labor costs - mostly in the benefits and administrative costs required for keeping on more workers - and thus hurt productivity. Critics say the VW move is cynical and desperate, born out of political pressure from the company's largest shareholder, the government of Lower Saxony. The current government is a Social Democrat/Green Party coalition that may prefer not to be embarrassed by big layoffs before the next local elections in March.

In any event, it has yet to be proved that a four-day week can help improve productivity or competitiveness, or that it can help make better cars. Skeptics say that VW still has 30,000 workers too many and will continue to be plagued by overcapacity and inefficiency. Europe, the critics say, appears to be focused on sharing jobs that exist today - and are disappearing - instead of concentrating on creating new jobs for tomorrow.

"Volkswagen has to cut costs - there is no other option at this point," says Peter Pletsch, an economist at Commerzbank AG in Frankfurt. "But the shorter work week is not the solution for bringing Germany out of recession. We need to work more, not less." T.H.

Economic Outlook / Structural Stress

Free Markets in Collision With the Social Safety Net

Continued from page 11 Calingaert, a Brussels-based consultant who is also a senior policy researcher at the National Planning Association in Washington, says economic logic dictates that European governments should cut their spending and rein in social welfare programs. "But that's the economic logic, and it runs counter to political and social pressures," he says. "Any democracy, once it has given people those kinds of benefits, finds it very difficult

to take them away. How Europe can square that circle, I don't know."

Instead, Europe seems to be lurching about seeking stop-gap measures. Yes, cuts in interest rates may boost investment, the four-day week may keep some people at work a little longer and multibillion-dollar infrastructure projects may temporarily boost employment in some areas. But none of those measures will change the unproductivity, high costs of doing business and

inflexibility of both labor and management.

Bob Hormats, vice chairman of Goldman Sachs International, describes himself not as a Euro-pessimist, but rather as a Euro-skeptic who still sees some hope. "Yes, it's possible for Europe to come back, but that is going to require sustained restructuring of both industry and the work force," he says. "There's still a lot of painful cost-cutting to be done before Europe can strengthen competitively. And it's going to be more difficult

than it was in America because Europeans are used to that higher social safety net."

Mr. Hormats adds, however, that Europeans are aware that major changes are necessary. "The public, I think, wants a clear message," he says. "They want to be told what's wrong with the economy, what has to happen to put it on the road to sustainable growth, how long it will take, and what pains will be necessary to make that adjustment." Timothy Harper

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ADVERTISING SECTION

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World Trade / Barriers to Agreement

GATT: The Grappling Goes On

The long drive toward a new General Agreement on Tariffs and Trade treaty has been both helped and hurt by the global recession.

On one hand, there is widespread agreement that free trade is a spur to economic growth; it is one way to help the world climb out of recession.

On the other hand, hard times are a big reason that individual countries and trading blocs are fighting so hard to preserve their threatened industries.

Without GATT, many believe trade would be restricted among three "fortresses," or regional trading blocs: Europe, the Americas and Asia.

During more robust times, free trade was not such a worry - particularly in Europe, where commerce among the 12 countries of the European Community single market account for an astounding one-third of all world trade.

general of GATT, says the notion of falling back on regional blocs nowadays is "self-delusion." He adds: "Economic blocs either remain open within the multilateral trading system - if that system is alive and healthy - or they turn inward and become fortresses. If it is the latter, then the prospects for long-term growth and job creation are, even inside the fortress, doomed."

GATT, initiated during the recovery from World War II in part to aid in the rebuilding of Europe, became more important as the old multilateral trade system - with countries forced to negotiate trade on a one-to-one basis, commodity by commodity and product by product - began collapsing in the 1960s and '70s.

The theory that GATT follows is that free trade is good for the world. Under the theory, free world trade means open global competition.

Without tariffs, subsidies, quotas and other trade restrictions, the open market will favor the best products - those that offer the mix of quality and price that countries, companies and consumers want. Products that are not good or are too expensive will fall by the wayside.

This efficiency will reward

productivity, according to the theory, which will in turn help keep prices low and quality high. More goods and services will be offered and sold, and the Holy Grail of 21st-century economics - sustainable growth - will be achieved.

By 2005, according to a new report by GATT economists, an agreement reached next week could boost world trade by as much as 12 percent, and mean a \$230 billion increase in world income. That is just in trade growth, the economists add; freer markets are bound to add tens of billions in new production, too.

No one can say exactly what this would mean to everyday life, but certainly those figures would translate into hundreds of millions of additional jobs and better living standards - for many, much better living standards - throughout the world.

While it is certain that the biggest importers and exporters, the major industrialized nations, will reap the biggest initial benefits from a new GATT pact, it is significant that 88 of the 116 GATT members are developing nations.

For those nations trying to "catch up," GATT would offer special provisions to make it easier for developing countries to import in-



U.S. representative Mickey Kantor (left) and the EC's Sir Leon Brittan negotiate in Brussels.

dustrial products that increase productivity and raise living standards. Similar special provisions would promote trade for textiles, clothing, fish and "tropical" products that are critical to developing-world export growth.

Despite all the promised benefits, however, this week's 11th-hour negotiations between the United States and the EC in Brussels might not have happened without several developments this autumn.

For one thing, Europe has been uneasy about the United States' move toward closer economic ties with Asia. For example, when the EC formally asked for a seat at the table - as an official observer - at the recent Asian Pacific Economic Cooperation summit in Seattle, the United States and the other 16 APEC nations said no.

The rejection stunned EC officials, and reinforced the growing worry in Europe that the Clinton administration is turning away from a tired, troubled Europe in favor of the shining promise of Asia.

From less than 5 percent in the 1960s, Asia now claims 25 percent of world production, and the United

States is now doing 50 percent more trading across the Pacific than across the Atlantic. East Asia has become the United States' top export market.

This worry about becoming an also-ran as the United States and Asia held hands surely helped push the EC, and particularly a recalcitrant France, back to the negotiating table.

Perhaps even more significant, however, was President Clinton's victory in pushing the North American Free Trade Agreement through Congress. The triumph provided a three-pronged spur on the eve of the Dec. 15 deadline - the last day Mr. Clinton can tell Congress he will present a GATT treaty before expiration of a special "fast track" ratification process that could save additional years of negotiations.

First, it gave the Clinton administration renewed purpose in approaching the GATT talks. Second, it convinced Europe, and everyone else, that Mr. Clinton was indeed committed to free trade. Third, the politicking to get NAFTA through Congress showed that the Clinton administration was willing to compromise to achieve a trade

agreement. Compromise it did, even on issues such as the 1992 Blair House agreement, under which the EC had agreed to cut agricultural subsidies. Even after repeatedly vowing not to meet France's demands to renegotiate the farm pact, the administration did just that last weekend.

Whatever happens between now and the deadline, the only certain thing is that nothing is certain. Negotiators are still meeting in Geneva on the textile trade. France is still dissatisfied with many areas of the agreement, including agriculture, industrial tariffs, new global trading rules and what has turned into the bugbear of films and television programming. Anything could happen at the EC summit, or at the ensuing meeting of EC farm ministers.

Even at the last minute, French Prime Minister Edouard Balladur may yet decide to give his parliament a chance to vote on GATT.

Early in the week, Mr. Balladur was warning that "an excessive optimism" had characterized the 11th-hour negotiations between the EC's Sir Leon Brittan and Mr. Sutherland.

T.H.

Business Briefs

There are currently 46 million "smart cards" in Europe. By 1997, this figure is set to rise to 427 million, according to industry sources. Today, 40 percent of all smart cards are used to withdraw money and for other financial transactions. By 1997, health-system and public-transport payments will be the fastest-growing sectors. Big gainers from the smart card boom are Europe's chip manufacturers, which are currently lauding double-digit rates of growth.

The Munich and Nuremberg areas have been classified as top European growth regions, according to a current study of Europe's leading technology regions. The study was conducted by ERECO (the European Economic Research Consortium), a network comprised of 17 economic think tanks located in 12 nations, and commented upon by WirtschaftsWoche, the German business weekly.

Europe's leading technology region is still Munich, states the report. It is, however, "lacing increasing competition from all throughout Europe," and especially from within Bavaria itself. "One of the Continent's up-and-coming regions" is the state's Nuremberg-Erlangen-Fürth technology triangle. The greater Munich area's array of high-tech companies has been ranked best on the Continent.

Plastics processing, electronic technologies and printing are set to be the world's manufacturing sectoral growth leaders, according to a recent Prognos study. Plastics processing's forecast growth of 6 percent until the year 2000 leads the pack of 18 individual sectors. Bringing up the rear: clothing, at a modest -0.2 percent.

Judged by total working days, the Norwegians have Western Europe's longest working year and their Finnish neighbors its shortest, according to recent surveys. The Norwegians have an average of 21 paid days of vacation plus 8 official holidays. The Finns, on the other hand, have the same number of holidays, but 37.5 days of vacation. The Spanish celebrate the most national holidays: 14. However, judged by average hours actually worked a year - average working weeks, minus days lost to illness, vacation and holidays, the Germans beat the Swedes as being Western Europe's "stay-at-home champions."

Germany leads France and Britain in total research and development expenditures by industrial companies. When calculated on the basis of per research department staff member, Italy ranks first, ahead of France and Spain, according to a recent survey conducted by the Sliferverband für die Deutsche Wissenschaft, Germany's association of scientific foundations. All told, the EC's industrial companies spent 66 billion Ecus (\$73 billion) in 1991.

By one criterion, Hungary has been the world's leading target of outside investment during the last two years. According to the World Bank and the OECD, just under a quarter of the country's total gross investments in structures and infrastructure came from outside the country in 1991 and 1992. Placing second and third in Europe have been Portugal and Britain.

On a long-term basis, the EC does promote a high degree of economic integration. According to the OECD, the EC's founding member countries increased their intra-Community exports as a portion of total exports from 47 percent in 1957 to 64 percent in 1992.

T.S.

WORLD TRADE PROFILE

The following figures show imports and exports among the European Community, the United States and the Pacific Rim nations in 1992 (in billions of dollars).



Sources: U.S. Commerce Department, German Ministry of Economics

Monetary Union / To Be or Not to Be?

In Search of Exchange-Rate Stability

While much of the public attention in Europe is currently focused on rising unemployment, company restructurings and cuts in public spending caused by the continuing recession, European Community leaders, bankers and businesspeople are increasingly concerned about future monetary and financial policy.

With the second stage of the European Monetary Union (EMU) outlined in the Maastricht treaty due to come into effect on Jan. 1, debate is growing about how, and whether, to proceed as planned.

Signs that all was not well erupted in September 1992, when both the English pound and the Italian lire were effectively taken out of the Exchange Rate Mechanism (ERM), the system of ensuring stable currencies for the 12 member countries set up under the EMU plan.

Last August, further turmoil erupted as markets around the world tested the Community's commitment to the parities fixed by the ERM. The result was that the existing bands had to be widened to 15 percent for all the remaining currencies except the Deutsche mark and the Dutch guilder, which are still tied to their previous ranges of 2.25 percent.

has made such convergence less, rather than more, likely. The combined economy of the European Community is expected to shrink by almost 0.5 percent this year, according to EC Commission estimates, while employment is expected to rise by almost 2 percent. Although the Commission expects gross domestic product to resume its upward trend next year, to about 1.3 percent, other analysts in the European banking community are already saying it could be just 1 percent or less. Moreover, despite resumed growth, unemployment in the 12 member states is projected, according to the Commission, to rise from 10.6 to 11.2 percent in 1994.

Equally gloomy are projections that the total public-sector debt of the EC could amount to 6.5 percent of gross domestic product by the end of this year, double

the entry or realignment of currencies in the ERM and in national policy decisions taken by the existing central banks. Such proposals, however, are likely to be opposed by countries that want to retain the freedom to devalue their currencies should the recession worsen, as well as by Britain and Denmark. While EC leaders are due to thresh out the arguments at their summit in Brussels Dec. 10-11, few observers expect a quick resolution.

In addition to easing the economic uncertainties within Europe, resolution of the issue could have a positive impact on foreign investment in EC member states. Investors would feel reassured about the prospects for low inflation, sound money and the heightened international competitiveness that monetary union in the EC would bring.

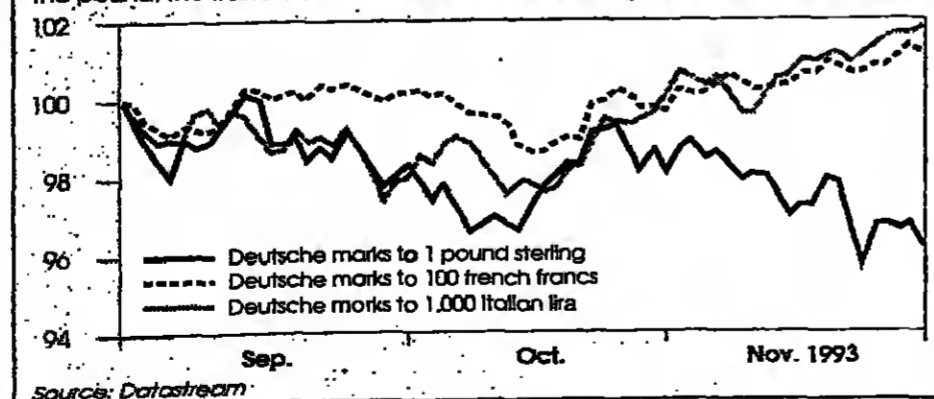
Stock markets in Germany, France, Italy, Spain and Britain have been bolstered this year by heavy U.S. buying, as have German bonds. Europe has also benefited from heavy Japanese investment during the past few years. But the ERM turmoil in August and subsequent fears about European recovery led to a slowdown of the prospect of sharp fluctuations in exchange rates, a return of inflationary trends or prolonged wrangling over monetary union could reduce these financial inflows still further, the analysts say.

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P.A.S.

THE PRICE OF DIVERGENCE

Taking early September's exchange rates as a reference, this graph shows how the pound, the franc and the lire have fluctuated against the mark since then.



Source: Datastream

the Maastricht target. Sticking to a 3 percent limit, say some European Parliamentarians, could lower overall economic growth by up to 2 percent next year. For this reason, they want the Maastricht rules to be relaxed, which they insist is possible under a clause in the treaty that allows for such a development in exceptional circumstances.

Others, however, argue that monetary stability and adherence to the staged policy of monetary union outlined in the treaty are essential to recovery and to Europe's international competitiveness. Belgium's

EC trade now takes place between the member states themselves, competitive devaluations - carried out in an effort to boost an individual country's exports - created a "no-win situation" for Europe as a whole. Instead, he said, "Coordinated action can bring realistic growth of 3 percent and an unemployment rate of 7 percent by the end of the century."

To achieve progress, Mr. Maystadt and others have proposed that the new European Monetary Institute, the precursor of the central bank, should be allowed to play a greater role in decisions concerning

SEEN THROUGH THE EYES OF IMAGINATION. AGFA.

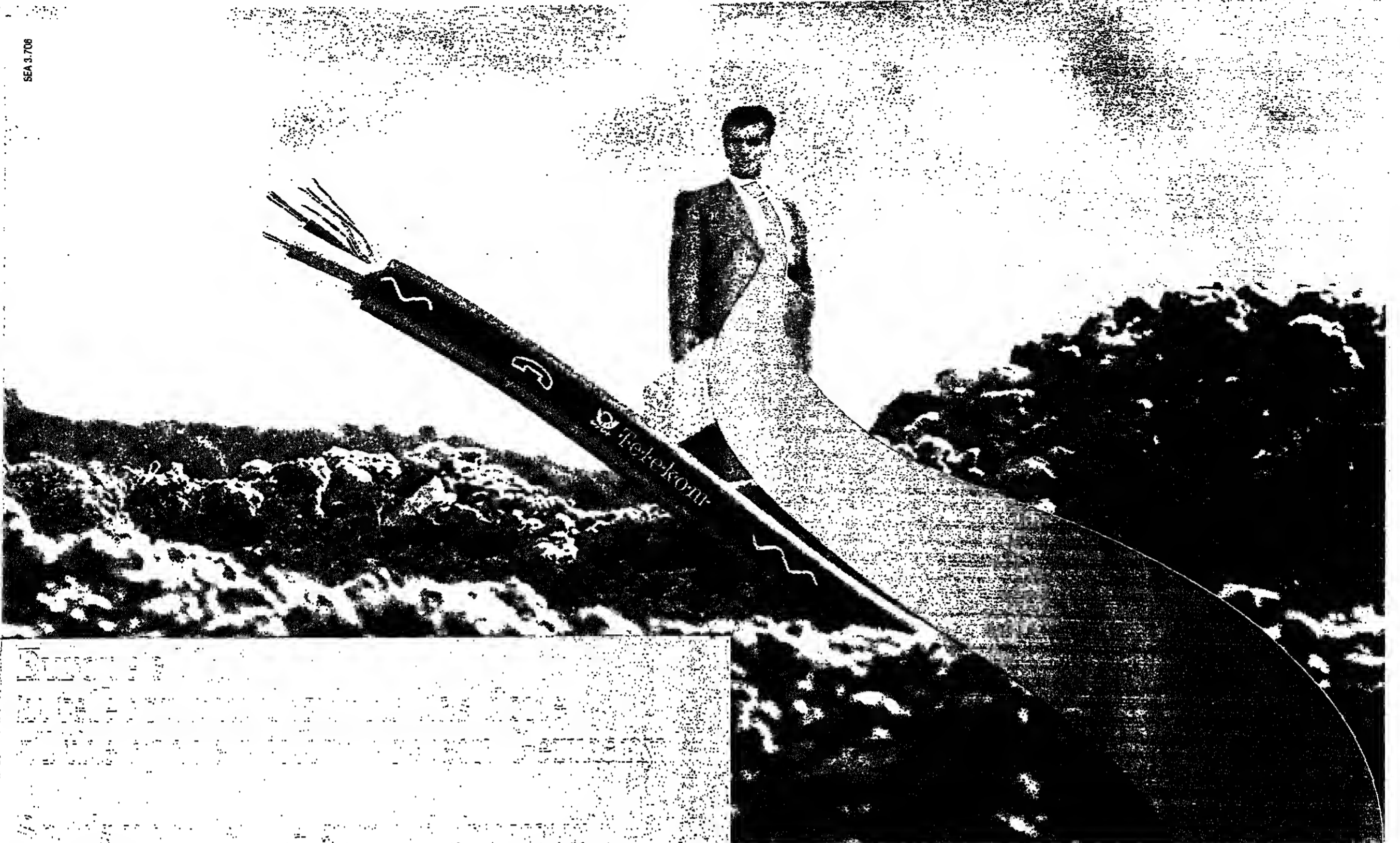


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Telecommunications / Big, and Getting Bigger

Telecom Future Looks Bright As Array of Services Widens

Some industry analysts predict a fourfold growth in EC service revenues by the year 2010; others dispute the precise figure. They all agree, however, that telecommunications will remain one of Europe's fastest-growing industries in the near future.

Telecommunications was singled out for special attention during the run-up to the single market. Open competition was linked to the notion of a frontier-free Community, and European deregulation was in turn tied to economic survival in an increasingly global industry.

As the 1980s drew to a close, documents such as the EC Commission's Green Book were trumpeting claims that the industry would account for around 4 percent of Europe's GDP by the year 2000 and probably underpin one in four jobs.

More recently, the Arthur D. Little consultancy report, "Telecommunications Issues and Options," forecast a fourfold increase in EC services revenues by the year 2010. Based on a current figure of 4 percent to 5 percent in real revenue terms, it predicts average annual growth rates of around 7 percent for 1992-2010.

"Growth rates in the EC will peak early in the next century," claim the report's authors. They expect basic telephony revenues will register 2 percent to 4 percent annual growth until the year 2000, then stabilize at about 5 percent. Meanwhile, they say, the fastest-developing revenue earners, principally cellular and advanced voice services, will be surging

ahead with annual growth rates of 25 percent to 30 percent. Overall market growth will peak at around 11 percent and then settle back to 5 percent after the turn of the century, the report concludes.

Long-range forecasts like these are certainly based on viable data, but, like all statistics, they are largely a matter of interpretation. OECD analyst Dimitri Ypsilanti, for example, takes issue with the report's initial assumption of 4 percent to 5 percent growth. "Three percent is not out of the range, but I think 4 percent is pretty high unless there is a significant contraction in other areas," he says. "A lot can depend on what you include within the service definition, whether you take in companies like EDS or IBM's networking side. But then the problem is, where do you stop? The Swift banking network is used for electronic fund transfer, so do you classify it as a banking or telecom activity? The airline reservation systems are another case in point. Setting the boundaries is a real problem."

Says David Cleevly, managing director of independent consultants Analytix: "The only way to add further growth is to redefine the spend by taking in new areas such as home entertainment, cellular services and all the associated information industries. The industry will continue to grow solidly, but spectacular growth will depend on the colonization of new areas such as multimedia." Mr. Cleevly's Cambridge, England-based team built an

econometric model based on the industry's performance over the past 20 years. From a base of just over 1.5 percent of GDP in 1974, EC telecommunications revenues climb, flatten and then recover to nearly 2.5 percent by the year 2000. The best possible projection, taking into account multimedia applications, is just over 3.5 percent.

Last year, according to the Geneva-based International Telecommunications Union (ITU), the service revenues realized by European Community operators averaged only 1.9 percent of their respective national GDPs.

There was a wide spread, from the Belgian low of 1.4 percent to 2.5 percent in Portugal. Eastern Europe scored even higher, topped by the Czechs and Slovaks with 3.6 percent. But despite these regional differences, the underlying average remained almost constant.

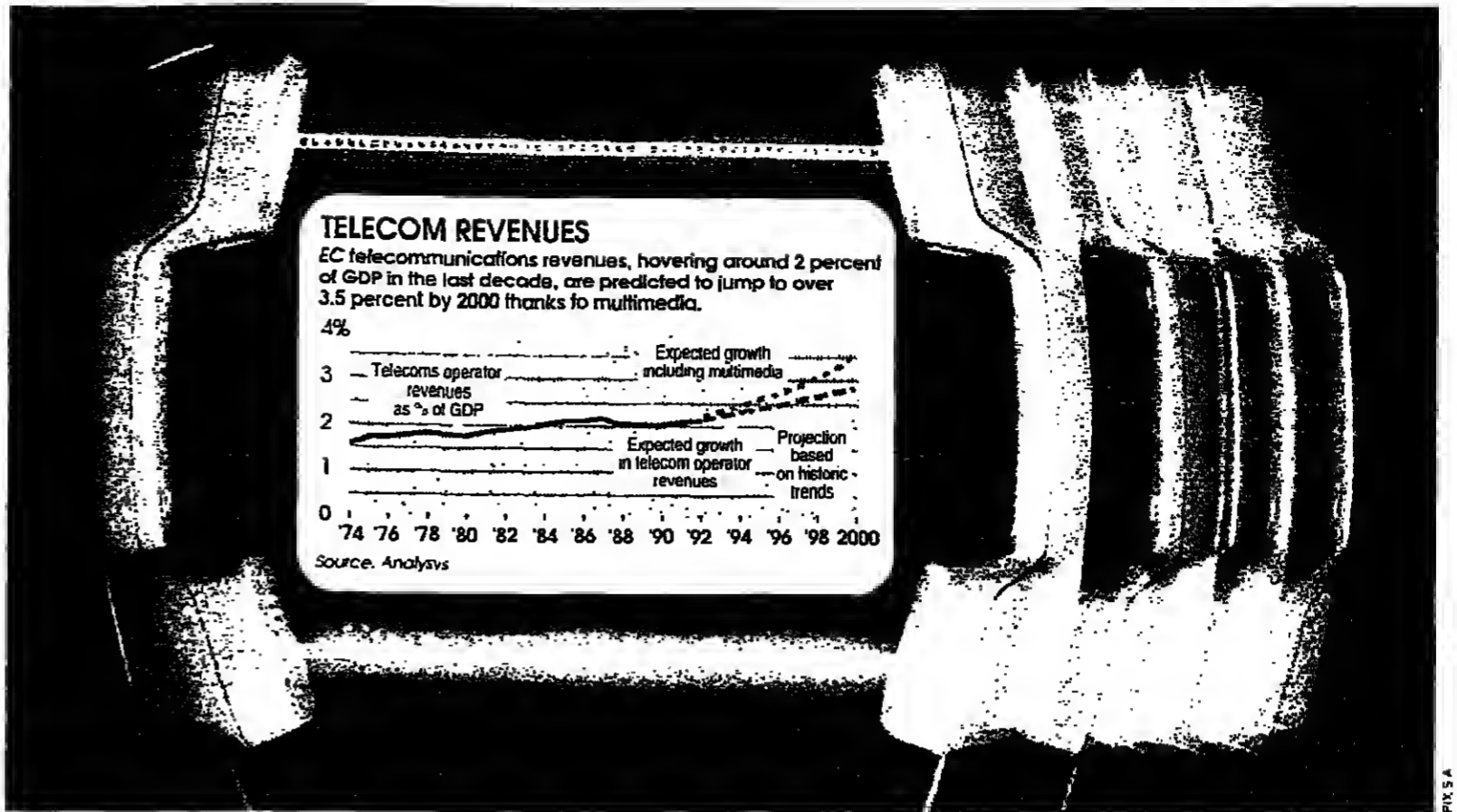
In real terms, however, 1.9 percent of GDP still represented a healthy \$125 billion, or average earnings of \$362 per head or \$825 per line for Europe's telecom operators last year.

An ITU report due to be published next year, World Telecommunication Development, throws the net even wider. By adding up the total value of operator services and equipment for use on or with the public network, it comes up with a figure of \$535 billion for world market value in 1992.

"You would expect telecoms, like most sectors, to follow the overall economy and therefore be touched by the recession affecting most industrialized countries," says ITU Telecom analyst Michael Mingos. "But telecom is apparently immune; it continues to grow."

Says James Woudhuysen, an associate director of the Henley Forecasting Center: "With multimedia, cable, home entertainment and mobile coming onstream, we are seeing substantive changes clean across the category. In the United Kingdom at present, for example, Mercury is signing up 10,000 mobile subscribers per month, and five out of six of them are private subscribers." He says experts may be underestimating the telecommunications industry's economic contribution, although he is primarily concerned with the technology's socio-economic consequences. "By the end of the century, the phone will have become like another limb. That will change the way we communicate and travel; it will revolutionize work and leisure patterns."

Steven Bartlett



Audiovisual / Harmonization

Standards in the International Television Race

Outside the television laboratories, there is a common perception that Europe is technically backward in television technology. Japan and the United States are engaging in a struggle to develop a form of high-definition television that will become standard throughout the world, while the United States is going it alone in such technologies as digitization. Meanwhile, the perception goes, Europe is flagging in the technical race and preparing to decide from whom it will buy the 21st-century technology for its hundreds of millions of viewers.

According to scientists and administrators, this perception is not necessarily correct.

Because of its cultural circumstances, Europe is playing a major role in a grab bag of technical issues that have a vital impact on users of new TV technology. The issues are summed up in one word: standardization.

At the level of the laboratory, points out one European Community source, television technology is global. While individual nations may predominate in a specific area, many of the advances that will determine how people use their televisions in the future occur on a multinational basis. Implementation of the technology, which determines exactly how much of the potential of technical advances actually becomes available to the public, is a regional matter, however.

The United States and Japan, both of which have homogeneous markets, face relatively few barriers to implementation of technology. This is not the case in Europe, with its span of cultures, languages and customers.

Indeed, for all its glamour, technology forms just a part of the whole process of delivering television services to viewers. Technology must be adapted to the local conditions - political, infrastructural and the like.

"Our message is that, in order to achieve the potential of the technology, a great deal of navigation must be done," says the EC expert.

A major contributor to this debate is the European group for digital video broadcasting. Digital video is an enterprise that brings together the whole of Europe.

In order to make digital terrestrial, cable and satellite television services available

to the European public as fast as possible, representatives from broadcasters, network operators, manufacturers and regulators have joined together.

"They have all come together on a voluntary basis," declares Armin Silberhorn of the German Federal Ministry of Posts and Telecommunications, who is the group's secretary. "So the group has no legal status."

It does, however, have strong influence. Earlier this year, it agreed on a memorandum of understanding that has the objective of developing "harmonized digital video broadcasting services in Europe."

That goal, the memorandum states, will be realized through "promoting and contributing to the definition of technical standards for digital television and their widespread utilization/adoption; facilitating the introduction of new services using those standards, which may

include studies on associated matters such as frequency planning and conditional access; and facilitating the closest possible coordination between pre-competitive R&D and standardization."

Concrete objectives of the memorandum include draft European standards by the end of this year in order to begin satellite and cable services in 1995; draft standards for terrestrial digital video broadcasting for the end of 1995; a technology base within Europe that will position European enterprises to "fully exploit the market on a competitive basis for digital video broadcasting technology"; and facilitating the flow of information and cooperation with other parts of the world.

Digital technology has tremendous potential. At a technical level, it allows a lot of flexibility, particularly in constructing television systems on a modular basis.

One can imagine, for example, a TV set-up that permits viewers to see a Shakespeare play on high-definition television with perfect contrast and resolution, or to switch to four sporting events on the same single screen at a slightly lower level of resolution, or to take in 16 game shows, again on the single screen, at lower resolution yet.

In addition, digital technology permits far more efficient use of the electromagnetic spectrum than is possible with analog technology.

Digital technology will only gain acceptance in Europe, however, once the appropriate standards are set in place. That is the task of the group for digital video broadcasting.

Meanwhile, the group is keeping tabs on digital technology as it develops. "We are in contact with the United States and Japan," says Mr. Silberhorn. "The European project is moving ahead."

Peter Gwynne



In pan-European satellite service, broadcasters, manufacturers and regulators must work together.

Conversion / New Businesses for Old

Trading Industry for Business Parks

Rioting miners smashing windows and clashing with police in Lorraine last month were reminders that conversion of Europe's declining heavy industrial sectors - coal, steel, iron ore, textiles and others - still has a long way to go, despite money from Brussels, the affected regions and their central governments.

Lorraine, in east France, has lost 110,000 jobs in these sectors since the 1970s, following an earlier slaying of 40,000 jobs. The European Development Pole, centered on Longwy, a distressed steel town, and encompassing neighboring areas of France, Belgium and Luxembourg, aims to provide 8,000 new jobs by 1995. To date, 2,700 jobs have been created, with another 1,800 in the pipeline, giving new hope to the region.

Light and service industries have been attracted by the region's geographical position and its proximity to the Luxembourg airport. A European college of technology has been established, and an international activity park is to follow that will offer inexpensive premises, an expansion capital fund and integrated networks.

The pole is part of the INTERREG program, which involves France, Belgium and Luxembourg and is the EC's biggest trans-border cooperation project. It aims at transforming this depressed "rust belt" area, once noted for its blast furnaces lighting the night sky, into a new-style European cross-border urban zone with modern transport links

underpinning training, research and innovation programs benefiting some 90,000 people. Local politicians, businesses and unions are working together, and efforts are also being made to improve the environment, notably by cleaning up the rivers.

These factors have encouraged a wave of foreign investment elsewhere in Lorraine, notably the South Korean company Daewoo's television plants. Lorraine has made good use of French government investment aids, which have attracted foreign companies employing 18,000 workers. In all, the region now has 260 foreign companies and is rapidly losing its old image.

Other traditionally industrial regions in Europe are undergoing similar transformations. The Black Country Development Corporation in the British Midlands, famed for automobile production, engineering and metal works, has been investing £200 million (\$300 million) of government and EC money to buy land for incoming businesses, build a new connecting highway between the sites and hand out grants. The area's onetime appearance is undergoing change, particularly following the planting of 300,000 trees.

The £200 million has already generated £450 million in private investment, halfway to the target of £1 billion, and the creation of 25,000 jobs. The centerpiece of the revival is the landscaped, 47 hectare (115 acre) automotive components park. "We are still mainly in the nuts-and-bolts

business," says the development corporation's chief executive, David Morgan. "but the park will have a hotel, conference center and leisure facilities with swimming and tennis." He notes a 12 percent increase in the region's service industries.

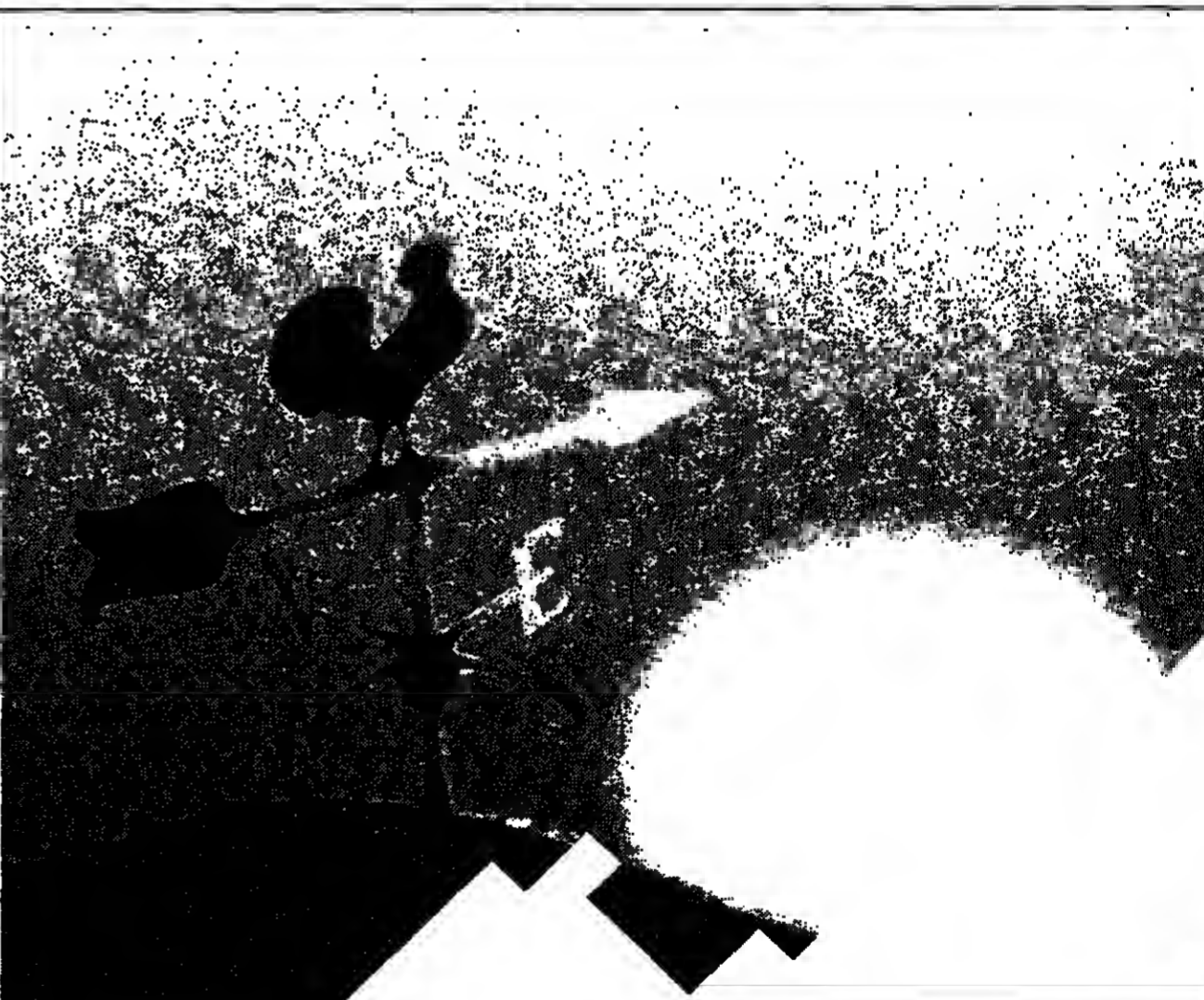
Ikea, the Swedish furniture group, is setting up shop near a 12-screen cinema, while new housing and offices line the traditional industrial canals, transformed in many cases into clean and pleasant waterways.

In industrial Piedmont, in Northern Italy, Fiat is converting obsolete plants, some into leisure centers and shopping malls. The most notable is the historic Lingotto plant in the center of Turin, built in 1918, with its own test track. The automobile plant, together with the Turin city council, the stata railway authority, the INA insurance group and other investors, is keeping the shell of the building, admired by the architect Le Corbusier, and filling it with a congress hall, hotel, a branch of the university and a shopping mall, all designed by one of Italy's leading contemporary architects, Renzo Piano.

This American-style inner-city development has also been adopted in Lille in northern France, the center of an area once known for coal mines and textiles. Rising above and around the new TGV high-speed-train station is Eurallife, a 250-acre, \$800 million office, housing and leisure complex with hotels, concert halls and vast shopping malls.

In another initiative by Fiat, the old Lancia plant at

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France's GDP Grew Slightly In 3d Quarter

Reuters
PARIS — The French economy grew by 0.2 percent in the third quarter but private economists said Wednesday that a strong recovery was not at hand.
 The national statistics office said gross domestic product in the third quarter rose at the same pace as in the previous three months.
 "The picture is of an economy bumping along the bottom, not taking off," said Gwynn Hacche at James Capel & Co. in London.
 Market-sector GDP, which excludes state activities, was flat, rising just 0.1 percent in the July-September period.
 Manufacturing production fell 0.6 percent in the third quarter, after a 0.6 percent rise in the second quarter, with the decline affecting all sectors except household appliances.
 Automobile industry production fell 3.0 percent during the third quarter, after 1.6 percent growth in the second, while output in the agricultural and food and energy sectors rose.
 Consumer spending extended its recovery in the third quarter, rising by 0.7 percent after growth of 0.6 percent in the previous three months.
 Exports also increased, rising by

0.8 percent in the third quarter after three consecutive quarters of decline. However, they were largely offset by drops in inventories and investment, which economists tied to companies' stubbornly pessimistic outlook for business in the months ahead.
 Economists said they expected economic growth to recover next year as recent cuts in interest rates took effect. But few are as optimistic as the government, which is forecasting GDP growth of 1.4 percent in 1994.
 They said that as unemployment — already at a record 12 percent — goes on rising and July's increase in the social security tax impacts fully on personal incomes, consumer spending will drop off again.
 Alain Gallibert of Warburg Bantock-Alain said the figures were a disappointment because, while they confirmed that household spending rose, they failed to reflect the results of recent surveys showing a pickup in business investment intentions.
 The decline in business investment slowed to 0.5 percent in the third quarter from the previous quarter's 1.3 percent, but that still meant that there was no growth in investment since the third quarter of 1992.

Oil Prices Dive — for Producers

OPEC Comments Send Crude to a 5-Year Low

Compiled by Our Staff From Dispatches
LONDON — World oil prices plunged to their lowest level in five years on Wednesday after the Organization of the Petroleum Exporting Countries said it did not think it alone could rescue petroleum prices.

OPEC will adhere to its current quotas but "others should help," he said. "OPEC cannot be the swing producer."
 Meanwhile, the International Energy Agency, which monitors supply and demand, said in its

"If others wait for OPEC to have a miracle solution, I don't think we have it," said the president of the producer organization, Abdullah al-Attiyah of Qatar.

In late London trading, January futures for the world benchmark Brent Blend of crude oil fell 5 cents, to \$13.51 per barrel. That was the lowest price since November 1988, extending a fall that has taken them from \$20 a year ago.

The tumble is blamed on flat demand in the sluggish global economy and, most recently, on an OPEC decision not to cut production quotas.

Mr. Attiyah spoke to reporters in Damascus after informal talks with other OPEC ministers including Hisham Nazer of Saudi Arabia, the biggest exporter.

The OPEC president reaffirmed the cartel's view that it was time for other producers from outside the group to curb exports and help it rescue prices.

'If others wait for OPEC to have a miracle solution, I don't think we have it.'
Abdullah al-Attiyah, OPEC president.

monthly report Wednesday that members of OPEC increased their output of oil to 24.7 million barrels per day in November and exceeded the ceiling set in September by 250,000 barrels.

The agency said the 12 OPEC members, which had set the output ceiling at 24.5 million barrels per day for six months starting Oct. 1, had increased output in November by 120,000 barrels per day from a daily production of 24.56 million barrels in October.

(Reuters, AFP)

European Consumers Obtain Few Benefits

Reuters
LONDON — Oil markets are at their lowest levels since 1988, but European motorists would never know it.

Despite gasoline prices that are about half what they were in 1980 in inflation-adjusted terms, motorists have reaped little benefit. Instead, governments have taken advantage of falling prices to impose ever-higher taxes, industry analysts said.

For instance, in 1980 four-star petrol in Britain, excluding tax, was 31.5 pence (47 cents) per liter in today's money compared with 16.1 pence per liter so far in 1993, according to Oil Prices Assessments Ltd., which monitors the retail market. But including taxes, British motorists are paying 54.1 pence now, compared with 59.3 pence in 1980.

Nonetheless, British motorists are among the most privileged because, apart from Spain and Luxembourg, British gasoline is the cheapest in Europe.

But that may not last. In his recent 1994 budget, Chancellor of the Exchequer Kenneth Clarke committed the government to increasing petrol taxes 5 percent above inflation.

"It is not good policy in these environmentally conscious days to keep road fuel costs so much cheaper than they used to be," Mr. Clarke asserted.

Other European governments are also playing on environmental concerns to justify gasoline tax increases.

In Germany, the taxes are due to rise 18 pfennig (10 cents) per liter from the beginning of next year. In the Netherlands, where gasoline is the most expensive in Europe — the equivalent of about 51 pence per liter — the government pockets 75 percent of the price.

OPEC, which opposes energy taxes, argues that the levies are not really aimed at protecting the environment. "We are against it because we perceive its real purpose is not to clean up the environment, but to swell the coffers of the world's wealthier nations," Secretary-General Subroto said recently.

Because of the low oil prices, governments have been able to impose the heavy taxes without increasing retail gasoline prices significantly. But should oil prices rise, so would the political costs.

Investor's Europe				
Exchange	Index	Wednesday Close	Previous Close	% Change
Frankfurt DAX	2200	2148.13	2115.46	+1.54
London FTSE 100	3000	3277.40	3237.30	+1.24
Paris CAC 40	2000	2005.31	1976.12	+1.34
Amsterdam CBS Trend	140.80	139.80	139.80	0.00
Brussels Stock Index	7,304.78	7,327.83	7,327.83	0.00
Frankfurt FAZ	2,148.13	2,115.46	2,115.46	0.00
Helsinki HEX	1,567.52	1,559.74	1,559.74	0.00
London Financial Times 30	2,454.50	2,429.80	2,429.80	0.00
Madrid General Index	Closed	303.70	303.70	0.00
Milan MIB	Closed	1,262.00	1,262.00	0.00
Stockholm Aftersvaerden	4,802.23	4,802.23	4,802.23	0.00
Vienna Stock Index	Closed	468.09	468.09	0.00
Zurich SSS	970.82	967.89	967.89	0.00

Very briefly:

- Unilever NV said it would sell its stake of just under 30 percent in Gamma Holding NV, a Dutch textiles and fabrics concern; it said the stake had a market value of about 200 million guilders (\$104.8 million).
- Winterthur Swiss Insurance Co. sold its 28 percent stake in the insurance group Helvetia after failing to gain control of the insurer; the stake, valued at about 304 million Swiss francs (\$196.6 million), was sold to Patria AG, a life insurer that now owns about 39 percent of Helvetia.
- Skoda Automobila AS said it expected to have record production this year and a profit of 2 million to 5 million Deutsche marks (\$1.2 million to \$2.9 million), compared with 66 million DM in 1992; the result would make Skoda the only profitable automaker in the Volkswagen AG group.
- Mitteldeutsche Braunkohle AG, a lignite mining company in Eastern Germany, was sold to a consortium including PowerGen PLC of Britain and Morrison-Knudsen Corp. of the United States for 2 billion DM.
- Deutsche Bank AG is considering buying a stake in the French regional bank Credit Industriel d'Alsace & de Lorraine.
- The EC Commission has begun an investigation into a tax break granted to airlines by the German government, a commission spokesman said. The tax deduction related to purchases of aircraft used on international routes.

Air France Asks 2,100 to Go

Reuters
PARIS — Air France, which was crippled by a strike in October when it sought to eliminate 4,000 jobs, plans to ask for 2,100 voluntary job reductions, an airline spokesman said Wednesday.
 The layoffs, which include 1,100 early retirements, are included in a plan to cut costs at the loss-making French national airline that will be made public on Monday, the spokesman said.

Air France, which is expected to have a loss of 7 billion francs (\$1.2 billion) this year, was hit in October by a strike of ground personnel that lasted more than a week.
 The company president, Bernard Attali, resigned when the plan was withdrawn by the government, which was alarmed by public sympathy for the strikers. The strikers had closed Paris airports several times to foreign airlines by invading landing strips.

Philips Disappointed By Digital Cassette Sales

Compiled by Our Staff From Dispatches
AMSTERDAM — Philips Electronics NV said Wednesday that sales of its digital compact cassette players had fallen well short of its previous forecasts.
 The company sold only 150,000 units in the 12 months since its introduction in November 1992, well below expectations of up to one million units.
 The player represents the second generation of digital-audio technology developed by Philips, which is aimed at competing with Sony's MiniDisc compact disk system.
 "Sales could have been better," a spokeswoman for Philips said. "But you have to take into account that the average price

of a DCC player is around 1,400-1,500 guilders (\$730-\$780), and there is a severe economic recession going on."
 Pieter Boegels, the Philips executive in charge of DCC, was quoted in an industry publication as saying the price of DCC players would have to fall to the same level as compact-disc players before consumers would buy them in large numbers.
 Mr. Boegels also said Sony's MiniDisc product had also sold only 150,000 units so far.
 The Philips spokeswoman said the company would introduce a car stereo version of the DCC in the Dutch market this week.

DELORS: A Prescription for Jobs

Continued from Page 1
 Europe's jobs crisis "is in the hands of national governments," he said, adding that EC leaders must give a clear commitment to attack the problem at the summit meeting and give an annual review of their progress, even if they haven't agreed on specific recommendations.
 For all the criticism of the plan, including a bashing from EC finance ministers only three days ago, the fact is that Mr. Delors' paper is the only plan the EC leaders have. And Mr. Delors is assured of strong support from the French president, François Mitterrand, who first suggested the idea for a big European borrowing program earlier this fall, and Prime Minister Jean-Luc Dehaene of Belgium, who will chair the summit meeting as holder of the rotating EC presidency.

"The struggle against unemployment is at present the greatest challenge facing the Community," Mr. Dehaene said in a letter to leaders spelling out his agenda for the summit meeting.
 Mr. Delors defended the plan's call for major spending on trans-European networks, including highways and railways as well as fiber-optic links for everything from computers to interactive television. The bulk of the 20 billion European currency units (\$23 billion) of annual spending would come from existing EC resources, he said, with only 8 billion Ecu a year of borrowing needed.
 Although Mr. Delors' term runs until the end of next year, he is fast approaching lame-duck status. The job plan is clearly meant to be his third and final European achievement, following the single-market program and the Maastricht Treaty on European Union.

AEG: A Sweeping Reorganization

Continued from Page 9
 the latter unit shedding a production plant in Berlin for a savings of 180 million Deutsche marks (\$106 million) a year, Mr. Stöckl said.
 Mr. Stöckl predicted the company would return to profit in 1995. Last year it had an operating loss of 200 million DM.
 The company's annual revenue is expected to total 9.3 billion DM after the reorganization, down from 11.6 billion DM in 1992. This year's operating loss is expected to be considerably higher than the 1992 level.
 By German accounting standards, Daimler-Benz posted a 180 million DM net loss in the first nine months of 1993. But by U.S. accounting rules, which the company began using after listing its shares on Wall Street this year, its 9-month loss was more than 10 times that level — 2 billion DM.

AEG has been in dire straits for more than a decade. Its financial performance failed to improve after Daimler-Benz bought a controlling interest in the company in 1985.
 Mr. Stöckl, who took charge of the company in 1990, has already presided over the sale or closure of AEG's office equipment, cable and mobile communications operations, which were considered either too small to survive or nonessential to the Daimler-Benz corporate vision.
 He also bought an East German train maker that is now the core of Daimler-Benz's rail-transportation activities.
 Daimler-Benz, Germany's biggest industrial conglomerate, encompasses the activities of Deutsche Aerospace AG, the truck and carmaker Mercedes-Benz AG and a financial services company, Debits, in addition to AEG.

NASDAQ

Wednesday's Prices
 NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12 Month High	Low	Stock	Div	Yld	PE	12 Month High	Low	Stock	Div	Yld	PE
110	105	IBM	2.00	3.1	15	110	105	IBM	2.00	3.1	15
120	115	Microsoft	0.00	0.0	15	120	115	Microsoft	0.00	0.0	15
130	125	Intel	0.00	0.0	15	130	125	Intel	0.00	0.0	15
140	135	Oracle	0.00	0.0	15	140	135	Oracle	0.00	0.0	15
150	145	Sun	0.00	0.0	15	150	145	Sun	0.00	0.0	15

12 Month High	Low	Stock	Div	Yld	PE	12 Month High	Low	Stock	Div	Yld	PE
160	155	HP	0.00	0.0	15	160	155	HP	0.00	0.0	15
170	165	Compaq	0.00	0.0	15	170	165	Compaq	0.00	0.0	15
180	175	Digital	0.00	0.0	15	180	175	Digital	0.00	0.0	15
190	185	PerkinElmer	0.00	0.0	15	190	185	PerkinElmer	0.00	0.0	15
200	195	Amgen	0.00	0.0	15	200	195	Amgen	0.00	0.0	15

NYSE

Wednesday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

Table with columns: 12 Month High, Low, Div, Yld, PE, 1993, High, Low, Last, Chg

Table with columns: 12 Month High, Low, Div, Yld, PE, 1993, High, Low, Last, Chg

Table with columns: 12 Month High, Low, Div, Yld, PE, 1993, High, Low, Last, Chg

REWARDS: Some Say Material Incentives Reduce Interest in the Job

Continued from Page 9
of money as a comfort rather than a goal. A survey of more than 50,000 job applicants at utility companies...

But the core of Mr. Kohn's book, and its most controversial aspect, is a long appreciation of the research of Edward Deci at the University of Rochester and Mark Lepper at Stanford. They insist that material rewards not only do not motivate well but actually poison natural motivators such as curiosity and self-esteem.

work to 'buy off' one's intrinsic motivation for an activity. Mr. Deci and Mr. Lepper speculated that people felt they were being manipulated when they were offered a reward. Although they might do what was necessary to receive their prize, it appeared to taint what had once been an enjoyable activity.

Mr. Lepper watched children in the Head Start preschool program react to an experiment on the use of Magic Markers. Some were told that if they used the markers they would be given a special certificate...

From this and other studies, Mr. Deci concluded that "money may work to 'buy off' one's intrinsic motivation for an activity."

Some critics say this theory overlooks the "contrast effect," or sudden disappointment when the reward is no longer available.

Table with columns: 12 Month High, Low, Div, Yld, PE, 1993, High, Low, Last, Chg

Table with columns: 12 Month High, Low, Div, Yld, PE, 1993, High, Low, Last, Chg

Table with columns: 12 Month High, Low, Div, Yld, PE, 1993, High, Low, Last, Chg

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INTERNATIONAL FUNDS

Dec. 8, 1993

Quotations supplied by funds listed. Not asset value quotations as provided by the Funds listed with the exception of some quoted based on issue prices.

The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (b) - bi-monthly; (f) - fortnightly (every two weeks); (m) - monthly; (y) - yearly; (n) - twice weekly (w) - monthly.

Main table listing various international funds with columns for fund name, currency, and other details.

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News Corp. Pulls Voting Plan, Stock Surges

Compiled by Our Staff From Dispatches
SYDNEY — News Corp. shares surged on Wednesday after the worldwide entertainment and publishing company withdrew a proposal to create a class of shares with enhanced voting rights.

The stock, which had languished amid the controversy stirred by the proposal, ended 90 cents higher, at 10.50 Australian dollars (\$7.27), a rise of 9 percent.

Analysts said an announcement by Rupert Murdoch, the News Corp. chairman, that the company was dropping the plan was the reason for the rise in its stock. Mr. Murdoch blamed less consideration of the plan by regulators for the company's decision to withdraw it.

Some observers said they still expected Mr. Murdoch to come up with a way of expanding his media empire without diluting his family's stake in the company.

"Murdoch wants to expand, and he wants to do so in a way that doesn't dilute his equity interests, so he'll look for another way," media analyst Bob Peters of ANZ McCaugham.

Tony Huntley, an analyst at SBC Dominguez Barry Ltd., said Mr. Murdoch could sell a stake in his Fox Broadcasting Co. unit in the United States, which had a record profit in its latest year, to a partner willing to distribute Fox's warehouse of movies and television programming in the American market.

Mr. Huntley said that sector was "a sellers' market" in the United States and that Mr. Murdoch could raise as much as \$2.5 billion from a sale of a stake in Fox.

In his announcement on Wednesday, Mr. Murdoch said, "As a consequence of the recent discussions between the attorney general of Australia and the chairman of the Australian Stock Exchange, it has become apparent that definitive action with respect to the News Corp. supervoting share proposal will not occur for many months."

Mr. Murdoch had told shareholders at the company's annual general meeting in October that News Corp. would seek the new class of shares to ensure that current shareholders would retain control of the company if it sought a major new equity partner in the telecommunications industry.

On Wednesday, he recalled the proposal had been made "to facilitate the negotiation of strategic alliances with other companies" and the announcement of it had "emphasized the necessity for prompt action by the Australian Stock Exchange" to authorize the move by granting it an exemption from the exchange's one-share, one-vote rule.

News Corp. was proposing to issue super shares in a 1-for-10 issue to current shareholders. Each super share would have carried 25 votes. (Bloomberg, Reuters, AFP)

Thai Banks Slash Rates Move Could Send Money Into Stocks

Bloomberg Business News
BANGKOK — Three of Thailand's largest banks said Wednesday they would cut interest rates they pay on deposits, in a bid to recirculate the large amounts of cash now parked in money-market funds.

The move could help Thailand's stock market, which already has risen 62 percent this year, if Thai shift money into mutual funds to try for higher returns.

Bangkok Bank and Krung Thai Bank cut their rates on most deposits by half a percentage point, to a 15-year low of 5 percent. But on accounts in excess of 500 million baht (\$19.7 million), rates will be slashed to just 2 percent, from 5.5 percent.

Siam Commercial Bank said it would cut both lending and deposit rates Monday.

In addition, an official of Thai Farmers Bank said the bank, the country's second-largest, was considering the situation and would probably have an announcement within a day or two.

The money glut in Thailand was caused by the relatively high interest rates the banks had been paying until recently. Only last year, Thai banks typically paid 8 percent on savings accounts.

Much of the money represents funds being stored in bank accounts between stock-market transactions. But some of it simply reflects the increasing affluence of Thai consumers.

Hoping to lend more of that money out — and thus earn income rather than just pay interest — Bangkok Bank and Krung Thai Bank also said rates on most loans would be trimmed half a percentage point, effective Dec. 15.

All of this could be a boost to the already-booming Thai mutual-fund industry. About 18 months ago, the Thai government liberalized the domestic mutual-fund market, a move that led to the creation of about a dozen funds.

Since then, roughly 50 billion baht in new money has come into the stock market.

The deposit-rate cuts could drive even more cash into equities. "The mutual funds are loaded with money," said Danai Charanranawalan, an analyst for Ocean Securities & Finance.

"The problem for fund managers is where to park all the money," added Surwit Wangkue, chief executive officer of Nakhorn Bank, a small commercial bank.

Stock markets that are driven by frenzied buying, particularly by foreigners, can be ripe for a fall. But if the lower deposit rates also encourage Thais to invest, they could add stability.

Less than 5 percent of the population now has money invested in stocks, compared with around 20 percent in developed countries, according to Thai Farmers Asset Management Co.

A more fundamental reason the stock rally might last into 1994 is the country's economic growth. The Thailand Board of Trade and private economists are forecasting growth next year of 8 percent.

What is more, further rate cuts are not out of the question. Piti Sathi-Amnuai, executive vice chairman of Bangkok Bank, said he believed another cut "should come relatively soon," because lower lending rates would stimulate investment.

Malaysia's GDP Beats Forecast

Compiled by Our Staff From Dispatches
KUALA LUMPUR — Reflecting strength in manufacturing and construction, Malaysia's gross domestic product rose an inflation-adjusted 8.1 percent in the third quarter, faster than official predictions, Bank Negara said Wednesday.

The central bank also revised its estimate of second-quarter growth to 10.1 percent from 10.3 percent. The economy grew 7.6 percent in the first quarter, meaning growth this year is running at 8.6 percent. The bank previously estimated 1993 growth would be 7.6 percent.

The state-owned Bernama news agency quoted Anwar Ibrahim, deputy prime minister and finance minister, as saying manufacturing and construction have remained strong. "Prospects for the medium term are certainly promising," he added.

Construction activity rose 12.5 percent in the third quarter, up from 11.8 percent in the second. Farm output was up just 2 percent, down from 7.7 percent in the second quarter and 3.9 percent a year earlier.

Manufacturing output rose 12.5 percent after a 16.5 percent rise in the second. Output in export industries rose 14.1 percent, compared with 10.6 percent for domestic industries. (Bloomberg, Knight-Ridder)

Investor's Asia				
Index	1993	1992	1991	1990
Hong Kong Hang Seng	10000	2200	21000	20000
Singapore Straits Times	2200	2100	1900	1800
Tokyo Nikkei 225	21000	20000	18000	17000

Exchange	Index	Wednesday Close	Prev. Close	% Change
Hong Kong	Hang Seng	9,750.23	9,738.57	+0.14
Singapore	Straits Times	2,159.21	2,163.54	-0.20
Sydney	All Ordinaries	2,096.00	2,073.50	+1.07
Tokyo	Nikkei 225	16,507.95	16,903.46	-2.34
Kuala Lumpur	Composite	1,060.79	1,063.25	-0.23
Bangkok	SET	1,438.92	1,442.58	-0.26
Seoul	Composite Stock	836.71	823.17	+1.64
Taipei	Weighted Price	4,892.11	4,883.60	+0.18
Manila	Composite	2,518.92	2,509.47	+0.38
Jakarta	Stock Index	523.32	523.41	-0.02
New Zealand	NZSE-40	2,097.26	2,087.58	+0.46
Bombay	National Index	1,592.29	1,557.23	+2.25

Very briefly:

- Japan's lower house of parliament passed a second supplementary budget of 709 billion yen (\$6.57 billion) for the fiscal year ending on March 31, bringing the overall budget to 75.25 trillion yen.
- Matsushita Electric Industrial Co. said 6,000 white-collar workers will be shifted into sales and new business sectors over the next three years.
- China's foreign trade rose 16.5 percent, to \$164.2 billion, in the first 11 months of 1993. Imports rose by 37.8 percent and exports by 6.2 percent.
- Anheuser-Busch Cos., which owns a 5 percent stake in China's Tsingtao Brewery Co., said it was close to agreement on a major investment that would include joint construction of a brewery in China.
- The Industrial Bank of Japan said it would reduce its long-term prime rate to a record low of 3.5 percent on Friday from 3.8 percent.

Flat Profit Outlook Hits Sega Stock

TOKYO — Shares in the video game maker Sega Enterprises Ltd. tumbled 240 yen, or 2.9 percent, to 7,980 yen (\$74) on Wednesday amid concern over flat earnings prospects.

A Sega executive confirmed a report in the newspaper Nihon Keizai Shimbun that the company's group profit would be steady from the previous year.

The executive cited sluggish sales of video games in Europe, especially Germany, as the main factor for the lack of profit growth.

The paper estimated Sega's profit in the year ending March 31, 1994, and the company had earlier forecast 65.5 billion yen. Profit totaled 57.8 billion yen in the previous year.

Japan Study Sees Profit In Imported Rice Sales

TOKYO — The government could make 340 billion yen (\$3.25 billion) profit in 2000 from selling imported rice at domestic prices — which are above those on world markets — if it accepts partial market opening, Fuji Research Institute Corp. said Wednesday.

Prime Minister Morihiro Hosokawa is to decide Friday whether to accept a market-opening plan. It includes postponing imposition of rice tariffs for six years.

Tokyo Pacific Holdings Weekly net asset value on 30.11.93 US \$208.11

Listed on the Amsterdam Stock Exchange

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Hitachi Claims Breakthrough in Chip Technology

By Andrew Pollack
New York Times Service
TOKYO — Hitachi Ltd. said it had overcome a hurdle blocking development of a fantastically tiny and powerful computer chip. It has demonstrated what it says is the world's first electronic memory that uses only a single electron to store information.

Scientists have known and demonstrated the principles of single-electron memory devices, but such demonstrations required extremely low temperatures. The Hitachi technique can operate at room temperature.

In memory chips, the presence or absence of electrons represent a one or a zero in computer code. Current devices need more than 10,000 electrons to represent one bit of data.

Hitachi said Tuesday the single-electron technology could be the basis for the development of a memory chip that stores 16 billion bits, about 1,000 times the capacity of the most advanced chips sold today. Chips based on single-electron devices would require very little power, making possible hand-held computers that could store reams of data and moving images, as well as operate far longer on batteries than computers do today.

Previous experimental devices had to operate at temperatures near absolute zero, or 273.15 degrees below zero centigrade (459.67 degrees below zero Fahrenheit), to reduce atomic vibrations that could obscure the presence or absence of electrons. The need for extreme cold has been a leading obstacle to developing such devices for practical use.

According to Hitachi, achieving room temperature operation requires confining an electron to an area with a diameter of only about 10-billionths of a meter. By contrast, a human hair has a diameter 10,000 times that. Such minuscule structures cannot be made using existing semiconductor techniques.

Hitachi's scientists developed a technique in which grains of silicon of the required size form naturally, without the need for making patterns on silicon using lithography.

In the memory, an electron can be trapped on a tiny silicon island because of the principles of quantum mechanics. A trapped electron through a circuit because electrons repel one another. This repulsion in electron flow can be detected, allowing the memory to be read.

Texas Instruments Inc. said it demonstrated a computer chip that takes advantage of quantum-mechanical effects and operates at room temperature, Reuters reported from Dallas. The chip is projected to operate three times faster and hold three times more functions than conventional semiconductors.

Separately, Texas Instruments and Hitachi said they jointly produced their first samples of 64-megabit memory chips, Bloomberg Business News reported from Tokyo.

METAL: Executive on Probation as Company Takes Turn for the Worse

Continued from Page 9
AG, Dresdner Bank AG, and Allianz AG Holding — have sizable minority stakes in the company. The two banks take turns designating the chairman.

Because of this interlocking network, discussion of problems by Metallgesellschaft is a sensitive issue. Most people would speak only on the condition that they not be quoted by name.

The company's troubles have thrown a spotlight onto Mr. Schimmelbusch and raised questions about his future.

According to the executive with knowledge of the company's operations, the board was reluctant to renew Mr. Schimmelbusch's contract "but they realized they had no alternative."

Germany's two-tier board system provides for a management board that conducts the company's business and a supervisory board of outside directors that makes fundamental decisions for the company, including the hiring and firing of management.

The committee, set up by the supervisory board on Nov. 19, consists of Ronald Schmitz, the board's chairman and a management board member of Deutsche Bank; Bernhard Walter, a management board member of Dresdner Bank; Friedhelm Gieske, chief executive of the utility RWE AG; and Peter Schimmelbusch, chief executive of Heidelberg Zement AG.

Mr. Schmitz, who took over as Metallgesellschaft's supervisory board chairman last May, is a former chief financial officer for BASF AG, the chemicals multinational. In a critical article that appeared last week, the German monthly Manager Magazin reported tensions between Mr. Schmitz and Mr. Schimmelbusch.

Mr. Schimmelbusch, 49, is an Austrian with a doctorate in economics who joined Metallgesellschaft in 1973 after training with investment banks in New York. He became a member of the company's management board in 1981, and chairman in 1989.

The scare that shook the company earlier this week concerning its liquidity has faded, however. Analysts said Metallgesellschaft's lack of cash is not a problem. A new loan has been secured from Deutsche Bank and Dresdner Bank, the company and the banks announced earlier this week.

Canadian Unit Sold
 Metallgesellschaft has agreed to sell 11.6 million of its Metall Mining Corp. shares at a price of 10.75 Canadian dollars (\$8.12) each, the mining company said. Bloomberg Business News reported from Toronto.

China Bid to Plug Leaks Of State Firms' Assets

BEIJING — China, which has seen billions of dollars in state assets slip illicitly into private pockets during economic reform, is drafting a law to boost supervision of state companies as they revamp business operations.

"The regulation stipulates that property in industrial enterprises belongs to the state," the official Xinhua news agency said on Wednesday.

It said the rules emphasized the government's supervisory role in reorganizing assets, saying "stringent examinations should be completed before approval when transferring them to individuals, private enterprises or foreign investors."

Xinhua said China loses more than 30 billion yuan (\$5.2 billion) annually as state assets are written over to individuals. Intentionally undervalued before sale to investors.

AMEX Wednesday's Closing											
12 Month High	12 Month Low	Stock	Div	Yld	PE	12 Month High	12 Month Low	Stock	Div	Yld	PE
100	80	IBM	4.00	4.00	12	120	100	80	4.00	4.00	12
150	120	Microsoft	1.00	6.67	15	150	120	150	1.00	6.67	15
200	180	Apple	0.50	2.50	8	200	180	200	0.50	2.50	8

SPORTS

Atlantic 10 Basketball: Wise Old Owls Now Playing With the Eagles

By Malcolm Moran
New York Times Service

NEW YORK — They weren't going to make it home. Of all the possibilities Ron Bertovich faced that messy Sunday last March...

As they watched from a hotel room in Philadelphia, Bertovich struggled to scratch a makeshift bracket into the first-grade spelling tablet that belonged to Meghan...

The blizzard had slowed the trip home to New Jersey from the league's women's tournament in Washington...

Four teams! The commissioner's most optimistic hopes were flashing across the screen...

The power politics had not betrayed his coaches. Through the years, there had been many victories...

nations — some relatively obscure, and nearly all of them in the long shadow of the Big East — the Atlantic 10 had at last become an overnight success.

After placing fourth in the nation in the computerized rating of conferences last season, ahead of the Big East, Southeastern and the Pacific-10, the Atlantic 10 has achieved the most extensive television exposure in its history...

is rated No. 5 in the latest Associated Press poll, with Massachusetts at No. 8.

But in a business where, as Larry Brown once suggested when he coached at Kansas, tradition now consists of whoever was on television on Saturday night, the Atlantic 10 continues to change those perceptions...

He said yes anyway. He said yes a lot. "The Big East could afford to sit in the wagon because they had a strong horse — TV," Chaney said.

phia, where Chaney's teams won 225 games in 18 seasons, including the 1978 Division II national championship.

Defense Saves Knicks, Magic

The Associated Press
The New York Knicks scored 10 points in the third quarter, and still won easily. The Detroit Pistons scored a record-low 6 points in the fourth period...

"We got rattled when they went to the small lineup," said Detroit's coach, Don Chaney. "We couldn't handle it. We don't know how to win yet."

NBA HIGHLIGHTS
ers, who had trailed by 49-31 at halftime, to pull to 58-54 going into the final 12 minutes.

Ewing scored 11 points in the final quarter and the Knicks made 13 of 19 shots from the field in the period.



Tyrone Hill was outnumbered by Mark Bryant, Clifford Robinson and another Blazers, but the Cavs had the better figures, 109-100.

New League Born in Asia

The Associated Press
SINGAPORE — Six teams from Singapore, Malaysia, Hong Kong, Australia and New Zealand formed the Asian Basketball League on Wednesday...

"We looked at their blueprint," Calipari said of the Owls. "You're talking about two totally different styles of basketball, but the idea was not the styles. The idea was how did they get on national television?"

Heat 106, Mavericks 101: Miami handed Dallas its 13th consecutive defeat and its eighth straight loss at home. Glen Rice scored 29 points.

More Baseball Expansion in the Works for 1997?

New York Times Service
SCOTTSDALE, Arizona — Bud Selig, major league baseball's acting commissioner, says talk of expansion for 1997 is premature.

lot." Mr. Selig said by telephone from Milwaukee. "But I've also talked to Vince Napolitano a lot."

a \$2.5 million option with Atlanta, agreed to a 57 million, two-year contract with Boston that could be worth \$9.25 million if a 1996 option is exercised.

nated hitter Bo Jackson of the Chicago White Sox; pitcher Bob Ojeda, catcher Junior Ortiz and second baseman Jeff Treadway of Cleveland; pitcher David Wells of Detroit; third baseman Gary Gaetti and outfielder Hubie Brooks of Kansas City.

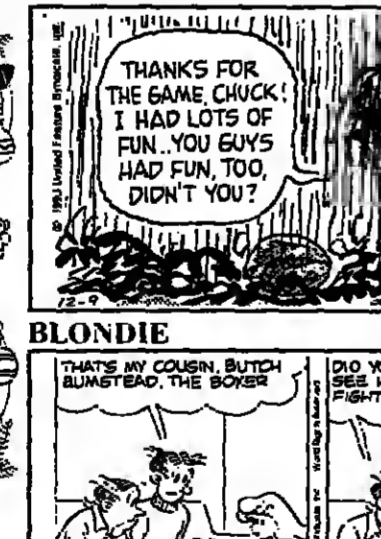
pitcher Tim Lincecum, Minnesota catcher Brian Harper, New York Yankees reliever Lee Smith and Texas pitcher Charlie Leibrandt.

A task has changed, from creation to preservation, to build upon a moment that happened last March.

DENNIS THE MENACE



PEANUTS



CALVIN AND HOBBES



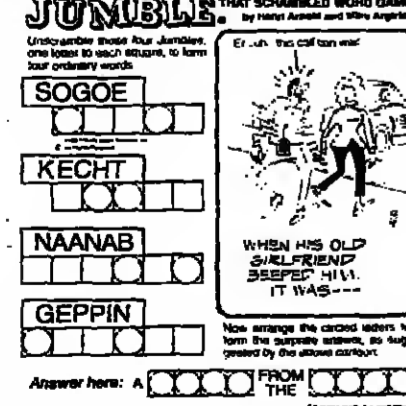
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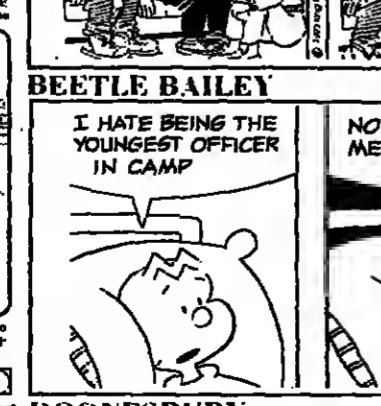
WIZARD OF ID



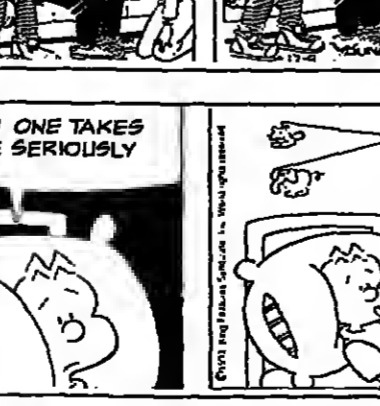
JUMBLE



BEEBLE BAILEY



REX MORGAN



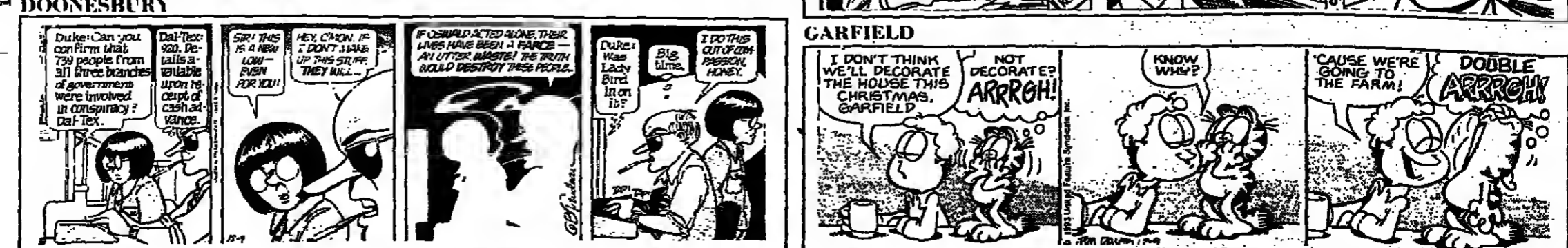
DOONESBURY



GARFIELD



TO OUR READERS
IN BERLIN
You can now receive the IHT hand delivered to your home or office every morning on the day of publication.



SPORTS

Sampras and Stich Win in Grand Slam

MUNICH — Pete Sampras, who hadn't played much for two weeks, should have been rusty. Michael Stich, who has played a lot, should have been tired. But both posted quick victories Wednesday in the Grand Slam Cup.



Dennis Bergkamp, the scourge of English soccer, drove a shot by Norwich City goalie Bryan Gunn in the 88th minute to put Internazionale in the UEFA Cup quarterfinals.

Galatasaray Ties Again; Bremen, Barcelona Win

Compiled by Our Staff From Dispatches Aitor Beguiristain scored two first-half goals Wednesday night to give Barcelona a 2-0 victory over visiting Monaco in a Group A match of European soccer's Champions League tournament.

Coming Soon to United States: Soccer, the Religion

By Robert Lipsyte New York Times Service NEW YORK — One of my jobs around here 30 years ago was taking London bureau chauffeurs on a tour and recording their insane queries about 'g' games? Why does that chap just stand there, without making invidious comparisons to me?

simply must learn, as concerned citizens of the planet, as cognoscenti, as decent blokes and as international business dealers — what if a colleague from another country asks us what "nutmeg" means and we don't know it is a neat trick between an opponent's legs? Deal breaker!

reasons it was awarded to this undeveloped soccer country, was to leave a legacy for the sport's next generation, to build a foundation of youth programs. There is no sense yet that substantial money and energy have been spent on this mandate by the licensed promoters.

regional, so there should be plenty of ink and air to promote another cartoon adolescent. Maradona is a kicker of fortune, once playing for Argentina. He is called "el pibe" because he has good hair and is fun to watch. Now, if Maradona dates Madonna...

Faulk Opts As Junior for NFL Draft

By Samantha Stevenson New York Times Service SAN DIEGO — Running back Marshall Faulk, the pressroom Heisman Trophy favorite who struggled through a disappointing season with San Diego State, has announced that he will apply for the National Football League draft, forsaking his senior season.

FOREBOARD

Standings table for Eastern Conference, Western Conference, and Pacific Division. Columns include team names, wins, losses, and points.

NBA Standings table for Eastern Conference, Western Conference, and Pacific Division. Columns include team names, wins, losses, and points.

Major College Scores table listing scores for various college sports teams like Duke, Stanford, and Michigan.

SIDELINES

Azinger Has Cancer, but Treatable INGLEWOOD, California (AP) — PGA champion Paul Azinger has been diagnosed with lymphoma, a form of cancer that is expected to keep the 33-year-old Azinger sidelined for six to seven months while he undergoes chemotherapy and radiation treatment.

U.S. Majors Added To Europe Ryder Cup Qualifying

U.S. Majors Added To Europe Ryder Cup Qualifying VIRGINIA WATER, England — The three major golf tournaments held in the United States will count toward points for Europe's next Ryder Cup team, the European PGA said Wednesday.

TUESDAY'S RESULTS table listing scores for various sports events including tennis, basketball, and soccer.

TUESDAY'S RESULTS table listing scores for various sports events including tennis, basketball, and soccer.

TUESDAY'S RESULTS table listing scores for various sports events including tennis, basketball, and soccer.

INTERNATIONAL CLASSIFIED advertisement listing various travel and service agencies such as Belgravia Orchids, Mercedes, Baroness de Silva, Belle Epoch, and Geneva Paris.

Herald Tribune advertisement for the New York edition, featuring the headline 'Living in the U.S.?' and contact information for subscriptions.

ART BUCHWALD

Farewell, Snow White

WASHINGTON — We are here to say good-bye to Pablo Escobar Gaviria, otherwise known to those who loved him as "El Snow White."

He lived a short but fruitful life distributing joy and cheer wherever he went. Just after his 44th birthday he was gunned down by vicious, cruel Colombian troops who were jealous of his looks and power.

El Snow White was a good man and because of that he had his detractors.

Many people said that he was a murderer, an assassin, an arsonist, a smuggler and the person responsible for blowing up a Colombian airline with 107 people on board. But this is only half the story. He always took care of the little guys — the money launderers and the couriers and the people on the street who distributed his products.

El Snow White was a soft touch for any story. He handed out fistfuls of money to politicians, crooked narcotics agents and even members of the Colombian Coast Guard. He never expected to be repaid.

His kindness didn't stop at monetary donations. He helped judges and prosecutors supplement their income.



Buchwald

He wanted nothing in return. While hunting for federal narcotics soldiers in his jeep, he once told me, "My reward is to make people sing. That's why we are here on Earth." He then took aim and begged a *fedeale*.

"Is shooting federal soldiers your favorite sport?" I asked him. "It's one of them. People say that it's unfair to shoot narks from a jeep, but I say you get them any way you can."

El Snow White, whom we mourn today, came from peasant stock but lived like a king with yachts, private planes and homes all over the country. Rumor has it that for a long time he even kept a furnished room at the Presidential Palace. He had style. Even when he was arrested, he designed his own jail and paid to have it built. No one in South America could equal El Snow White's architectural know-how.

I asked him on another occasion when he was straggling ducks to smuggle his product into the United States.

"Surely, even though you are beloved by many, there must be people in your business who would like to get rid of you?"

He smiled. "I have no enemies. The reason for this is that I am the founder of this business and all of my competitors still respect me for leading the way. I go to their houses and they come to mine. If they get any ideas I'll strangle them like this duck."

"Let's suppose that someone does take a potshot at you and gets by your bulletproof vest? How would you like to be remembered?"

"As a man who went to the edge; a person who was never late paying his telephone bill; a leader of the free world who could buy any politician up for sale. I want to be remembered as a dog lover, a collector of Louis XIV chairs and a friend of the CIA. Most of all I hope that when the name El Snow White is mentioned, everyone will say, 'He may have killed a lot of people — but nobody's perfect.'"

"How would you want to be buried?"

"I would love to be cremated and my ashes sold in little cellophane bags on Eighth Avenue street corners for \$30 each."

Spalding Gray: Imitating Life and Art

By Bruce Weber

NEW YORK — Near the end of "Gray's Anatomy," Spalding Gray's latest monologue, Gray describes an incident in which he was saved from drowning by three men who dragged him out of the water and then instantly propped him up so they could have their picture taken with him.

During the rescue, the men had recognized him from the poster for a previous monologue, "Swimming to Cambodia," which pictured half of Gray's face bobbing up from underwater.

On stage at the Vivian Beaumont Theater at Lincoln Center, where he is performing "Gray's Anatomy," Gray pauses at this point in the tale and throws the audience a comic, helpless look, as if to say: "This is all just too weird." What he does say is: "Art imitates life; life imitates art."

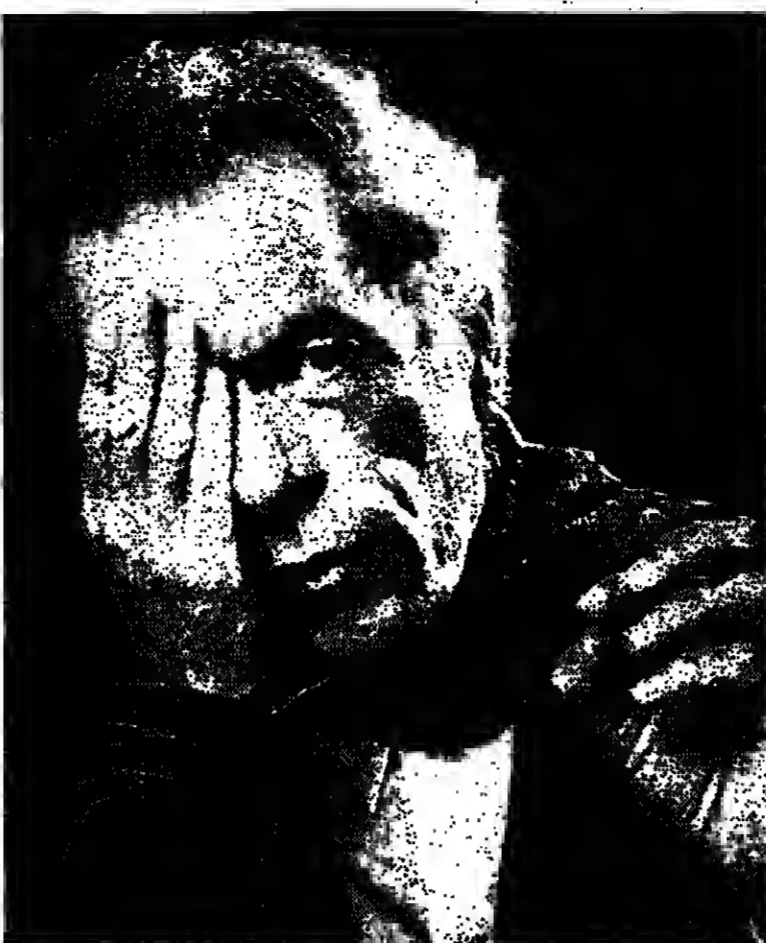
There probably isn't anyone more fascinated by the Mobius strip image of art and life chasing each other around in a circle than Spalding Gray. For the last decade and a half, he has been telling his personal stories on stage, stories he has carved out of his life. A life he has specifically designed to create stories. Three years ago, for instance, Gray's left eye suffered a retinal detachment called a macula pucker, and in "Gray's Anatomy," he tells of his travels — to an Indian sweat ceremony in Minnesota, to a nutritional ophthalmologist in New Jersey, to a psychic healer in the Philippines — in search of an alternative to surgery.

"I would not have done those things if I was not trying to make a redeemable story around the eye issue," he conceded over lunch, speaking in his natural, soft-spoken voice in the room at Jerry's, a long dining room in SoHo near his loft.

There was a scared rabbit aspect to him; he was solicitous of the waitress and seemed a little wary of answering questions, though he does it all the time and he aims to please. He warmed to himself quickly.

As the critics say, "When the doctor says you need an eye operation, anyone else would walk around the block and come back and get it," he said. "Not Spalding Gray. And it's true. I procrastinate, and I am the apostrophe of Hamlet."

Gray has always given off an odd sense of pride in his neuroses, but in fact he looks as though they might be getting the better of him these days. At 52, he has entered the time slot between 50 and 53, what he refers to in his monologue as "the Bermuda triangle of health," when if you get through it, you're fine and will probably live a long time. But it was also the age at which Gray's mother took her own life, an event that has appeared, either in relief or



Spalding Gray in a scene from his latest monologue, "Gray's Anatomy."

in shadow, in much of Gray's work. Gaunt and wan, wearing a white T-shirt and baggy pants bunched noticeably at the waist by a belt, he said he had gained 18 pounds recently and weighed 170 (77 kilograms), but that seemed dubious. He ate a spare lunch — grilled fish and greens — though nothing so spartan as the raw vegetable diet the New Jersey ophthalmologist put him on, presumably to help his vision.

"I had a physical because I was nervous," Gray said about his weight loss, "and the doctor said, 'I don't know what to put down here, because you're fine. If you want to collect insurance, I'll have to put down something.' So he put down cathepsin." A best, "Wasting away."

Gray said he was recovering from a urinary infection that drove his temperature up to 105 degrees (40.5 degrees centigrade) and caused such a sluggish performance that the night several critics showed up

that the show ran 12 minutes longer than usual. His eyesight, after the surgery he tried to avoid, is better than it was but not all that good. On occasion, he needs a magnifying glass to read the newspaper.

Probably more to the point, though, is that he has just come through several months of frantic travel, both for a handful of movie roles and in pursuit of the kind of eccentric experience that often ends up enlightening his work.

And he has spent much of this time without Renee Shafransky, his companion of 14 years, whom he married two years ago. Their wedding serves as a symbolic and rather uplifting conclusion to "Gray's Anatomy," which Shafransky directed, but the marriage has foundered, and even as they continue to work together, the two are now living apart. "We're going through a tense time," Gray said. "I won't say it has to do with

the marriage exclusively, though that was the trigger for us. I'm too difficult to live with right now, and Renee wants her independence as a director. She's upset that no one will recognize her as anything other than my director."

"We're getting along," he added, rather gloomily. "When we see each other we are getting along."

This is the kind of moment in the life of Spalding Gray that often proves most artistically fruitful. His monologues take the form of current moments dredging up reflections on the past, and he said they often combust out of a catalytic despair. Asked how he knows when a monologue is on the horizon, he cited "Terrors of Pleasure" (1986), which was about renovating a house, and "Monster in a Box" (1990), about writing a novel. Both began with the sense of being overwhelmed and the need to redeem the misery of the experience, he said. And he agreed that, as a result, he's always on the lookout for a personal misery severe enough to generate a constant tale.

"Yes, there's something in that," he said. "We're all going to experience misery, eventually. That's the bottom line. Being an amateur Buddhist, I'll go with that one, that life is suffering. But whether or not a story will start to come together in a pattern, whether it'll have dimensions that are historic, whether it'll go backward in time, that's a tricky business. Because by now I've used up a lot of my past."

His instinct for the right catalyst is pretty good by now, he said, and once he's got one, he works "by association, in the Freudian sense: a) what does this bring up in my past? and b) what can I do now to supply more material?"

Gray is an inveterate journal writer, and the first phase of a monologue goes through, he said, is a gathering of his journal notes into an outline. Then he'll get up in front of an audience, tell the outlined story and tape-record it.

"So what I have is a linear memory," he said. "That's not too dramatic. Then Renee will come in and point out, 'Well, you've told the story, but you've got to build more drama into it, and here's how you should begin to structure it.'"

There follows another round of informal public performances that functions to shape the thing the way a workshop would a play. This second phase, Gray said, "is all about restructuring memory."

This is also a tricky business. Gray is fond of saying he never makes anything up, but that doesn't exactly mean his stories are entirely true to life. Gray habitually courts odd occurrences, of course, but it's also true that he's a bit of a wacko magnet.

"In chaos theory, there's something called a strange attractor," he said. "I seem to be that."

PEOPLE

Japan's Prime Minister On Best-Dressed List

Prime Minister Morihiro Hosokawa has been voted one of Japan's best-dressed men. The prime minister is among five winners of the annual award given by Japan Men's Fashion Unity, a fashion industry group. "Hosokawa carries himself well internationally, and dressing well is a part of the new image-building," said Ippei Shiozaki, the group's executive director.

Dozens of celebrities are expected to attend the U.S. premiere Thursday of Andrew Lloyd Webber's latest musical, "Sunset Boulevard," at the Shubert Theater in Los Angeles, among them Billy Wilder, writer/director of the movie on which the show is based, former President Ronald Reagan and wife Nancy, and a passel of actors, including Glenn Close, who plays the show's lead character.

An unauthorized biography of Oprah Winfrey claims she improperly won the Miss Black Nashville pageant in 1972. "Oprah by Nellie Bly," said Winfrey should have been named fourth runner-up but was declared the winner because of a mistake in tallying the votes. Gordon El Greco Brown, the pageant director, has acknowledged that "an error was made."

Roger Daltrey says he wants to celebrate his 50th birthday next year by doing one of the things he loves most: singing Pete Townshend's music. The celebration will take place at New York's Carnegie Hall on Feb. 23-24, when three of the four original members of The Who — Daltrey, Townshend and John Entwistle — are scheduled to play for Daltrey's tribute to Townshend.

Scores of fans flocked to the Paris home of Jim Morrison on Wednesday to mark what would have been the 50th birthday of the singer-songwriter who founded the '60s rock group The Doors. Morrison died on July 3, 1971, at 27.

INTERNATIONAL CLASSIFIED Appears on Pages 4 & 5

Workers Demonstrate At La Scala Opening

The Associated Press

MILAN — Laid-off metalworkers waved red flags and set off firecrackers outside La Scala as a fashionable audience arrived for the opening of the opera season.

The demonstrators, mostly workers from the Alfa Romeo auto factory, were surrounded by riot policemen and kept from the celebrities, politicians and a group of Nobel Prize winners who attended the performance of Gasparo Spontini's "La Vestale." There were shouts of "shame" and "buffoons" from about 200 demonstrators.

WEATHER

Table with weather forecasts for Europe, including High, Low, Wind, and Cloud cover for various cities like Amsterdam, Athens, and London.

Forecast for Friday through Sunday, as provided by Accu-Weather.



North America: Mid weather along the East Coast Friday will be followed by sharply colder weather over the weekend. A strong storm from the Pacific Ocean will bring 50 mph winds and heavy rains to the West Coast from San Francisco to Seattle. The central Plains will have tranquil weather.

Table with weather forecasts for Asia and Africa, including High, Low, Wind, and Cloud cover for cities like Bangkok, Beijing, and Cape Town.

Table with weather forecasts for Latin America, including High, Low, Wind, and Cloud cover for cities like Buenos Aires, Caracas, and Lima.

CROSSWORD

New York Times Edited by Will Shortz

Crossword puzzle grid with clues for Across and Down words.

Large advertisement for the International Herald Tribune, featuring the headline 'A WEEK IN THE LIFE OF THE TRIB' and a list of daily content including sports, health, politics, business, and arts.

Handwritten signature or mark at the bottom of the page.